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# ***JPRS Report***

# **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-89-009

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19 APRIL 1989

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Anti-Inflation Measures Tie Wage Hikes to Higher Productivity

18200236 Moscow *EKONOMICHESKAYA GAZETA* in  
Russian No 7, Feb 89 p 5

[Article by A. Deripasov, candidate of economic sciences: "Are Wage Hikes Inflationary?"]

[Text] Analysis of the results of development of the national economy in 1988 calls attention to wage hikes outstripping the labor productivity increase. Thus, for the national economy as a whole, workers' and employees' wages increased by 7 percent and labor productivity increased by 5.1 percent. The wage increase was not adequately tied into the increase in production nor the increase of production efficiency. Wages in industry, construction, agriculture and railroad transport increased more rapidly than labor productivity increased.

The fact that labor productivity did not match wage hikes and did not meet the demand for consumer goods and services creates, in our opinion, an inflationary situation. Possibly it is too early to say that there has developed a "wage-price" race but it is important not to overlook this negative spiral but to analyze carefully the processes occurring.

Sources of inflationary increase of wages reside, first of all, in the unbalance of the national economy. For example, capital investments are not coordinated with material resources and lead to unwarranted increase of uncompleted construction. This, in its turn, leads to wage payments not supported by an increase of commodity resources: you know unfinished items do not provide production. In 1988, more than 1 billion rubles in wages were spent on the increase of above-norm uncompleted construction.

The forming structure of the national economy, in which a high percent of production of means of production and the still persisting expenditure nature of management at enterprises and excessive budget financing of expenditures lead to the fact that significant amounts of money, unsupported by commodity reserves, go into circulation.

Therefore, in order to slow the inflationary increase of wages, we must accelerate the radical reconstruction of the national economy and, first and foremost, guarantee reorientation of production for the consumer goods market, reduce the budget deficit, provide additional incentives for saving all kinds of resources by enterprises and ministries.

These problems are being solved but we cannot expect quick results. Let us say it is not easy to reprofile enterprises which produce complex defense technology to production of goods in public demand. Moreover,

development of some processes is contradictory, you see structural reorganizations require additional budget appropriations and this means funds for wages. Therefore, there is a need for operational measures for intensifying control of expenditures of funds for wages, limitation of wage hikes and connecting wages with the results of labor. It is important to consider specific causes of accelerated wage hikes in these or those sectors.

Thus, last year, there began to be used, for more than 30 million workers and employees, new high wage rates and salaries of the post. The new wage conditions were introduced at the expense of funds found by means of mobilizing internal resources. As a rule, some personnel of operating enterprises and organizations were released because of this. On the whole, more than 1 million workers and employees were released in the industrial sphere in 1988. This means there could be wage hikes for the remaining workers. This is, of course, a positive trend since it reflects a real increase of labor productivity. At the same time, for some categories of workers, introduction of new wage conditions were not always accompanied by an increase of productivity of their labor. We must also keep in mind that an increase of wages and incomes proceeded along with an already significant superfluous money supply in the consumer market.

Another cause of accelerated wage hikes was the development of the mechanism of complete profit and loss accounting and self-financing which created great opportunities for formation of funds used by labor collectives for wages. We are speaking, first of all, of the growing pay-outs from bonus funds at the expense of profits produced. You see, profit was increased, frequently, at the expense of an unjustified price increase. Pay-outs from the bonus fund increased by more than 15 percent in 1988. This is much higher than that from the wage fund. In light industry, for example, payouts from the bonus fund for 9 months of 1988 increased by more than 30 percent in comparison with the increase in the same period of 1987. This increase is directly connected with the increase of prices for goods of public demand.

The process of accelerated formation of bonus funds was expressed in the fact that money surpluses are accumulating quickly in accounts of enterprises and organizations. The dynamics of change of these surpluses was rather uniform for almost 10 years but, beginning in 1987, there was an abrupt acceleration. Bonus funds reserves accumulated by 1 January 1989 were such that they make it possible to more than double pay-outs from this source in the course of the year. If this happened the situation in the consumer market would be worsened significantly.

Commonly known and often criticized deficiencies, such as insignificant dependence of the wage fund on financial results of work, orientation on expenditure indicators, actually complicating average wage levels, continued to operate. New deficiencies, caused primarily by development of cooperatives at enterprises, were added to these.

What is happening here? Enterprises charged with fulfillment of specific functions or operations by cooperatives, release their own staff personnel, although end production output is not increased. Wage fund savings achieved by this are then used for paying the remaining workers. As a result, production costs increase because of payment of services of the cooperative, the enterprises profit and deductions in the budget decrease and the enterprise collective, during such unfavorable tendencies for all of society, profits since the workers' wages increase without an increase of output by the enterprises. If, at the same time, in connection with the increase of profitability, losses of profit reduce pay-outs from the bonus fund, all the same, the increase of the wage fund calculated per worker will be higher.

This does not mean that cooperatives must not be set up at enterprises. The economic justification for enlisting cooperatives must be increased. The fact is that enterprises and cooperatives still work in different systems of valuations. In enterprises which use a model of profit and loss accounting based on standard profit distribution, the basic quota of funds for wages depends upon the volume of commodity (standard net) production while that of cooperatives depends upon income.

The accelerated increase of wages also promotes competitiveness for its amount between enterprises and also cooperatives and persons engaged in individual work. Such competitiveness is desirable if participants in the economic competition work under comparable conditions. Otherwise disproportions between results of labor and its remuneration will increase, as occurs now.

It is understood that the amount of funds for wages depends, first of all, upon the level and dynamics of prices for output produced. However, the opportunities differ for different collectives. Prices are stable at most state enterprises but, in cooperatives, they may increase both at enterprises and organizations which use contract prices, the level of which is increased. Bakeries and brickworks may serve as an example of the first and design organizations, at which the work volume for the last 3 years increased more than 60 percent and wages increased by 30 percent, may serve as an example of the second.

Under conditions of developing inflationary processes, we must intensify wage control. Among such measures, we must name the specific procedure, introduced in 1989, of pay-out of funds for wages in dependence upon the observance of the enterprises and organizations of the standard relationships established by them between the average wage increase and labor productivity.

The innovation of this procedure consists of the following. Bank institutions will now conduct quarterly monitoring of the observance of standard relationships. Monthly checking will be performed at specific enterprises which do not justify confidence. Standards of

relationships, confirmed earlier by enterprises and organizations by the growing sum for 1985, are recalculated with consideration of the relationship of these indicators in 1988. Determination of the amount of the standard will involve calculation also of additional pay-outs including, for example, those connected with intensification of production of commodities of public demand and fulfillment of state orders.

Practice of the use, in past years, of the so-called calculated average wage for calculating standard relationships did not justify itself. There were no clear-cut criteria of its determination, which enterprises used to their own advantage. Therefore, the average wage, calculated with consideration of all pay-outs from the wage fund and bonus fund, now will be used for comparison of rates.

Enterprises are allowed to use, for formation of a wage fund, calculations of labor productivity and standard relationships, the net production index. This will do much to overcome the expenditure orientation in the operation of enterprises.

The basic thing in the new mechanism of control is the fact that there no longer will be used such sanction against violators as holding the bonus fund in reserve. Funds for wages will be allocated only within the limits of confirmed relationships. Unused funds may either replenish surpluses of bonus funds or go into the development fund. Only expenditures on additional stimulation of above-plan output of commodities of public demand are limited to standard relationships.

Of course, adoption of such wage regulation measures has an anti-inflationary tendency and is a non-economic measure of influence. Therefore, the efforts of economists should be directed to the search for new approaches associated, first of all, with taxation of income of workers and enterprises.

We must look at a related problem. You know, funds unpaid in connection with limitations on standard relationships replenish the bonus fund and without that, frequently, enterprise development funds are not supplied completely. From there, part of these may flow, as a stream, to cooperatives for payment for different services at increased cooperative prices. As a result, delayed standard money relationships will surface in other places. Perhaps it is best to use them for workers of the given enterprise but to pay out using progressive taxation?

#### Foreign Credit Policy Discussed

##### Large Debts Discouraged

18200253a Moscow *POLITICHESKOYE  
OBRAZOVANIYE* in Russian No 1, Jan 89 pp 51-54

[Article by Candidate of Economic Sciences V. Simonov:  
"Advances' on the Debt"]

[Text] The Soviet economy is once again facing a task familiar to a degree from the 1920's and 1930's. The levels of economic development and social relations are

incomparable, but the heart of the issue—the need to carry out a profound modernization of industrial and agricultural production, a new industrialization of sorts (based on the contemporary stage of scientific-technical advancement—makes it possible to use this analogy.

"Where to get the money for perestroika" is one of the main issues of concern for leading Soviet economists. The array of means offered is rather extensive, beginning with the most traditional ones (for example, to shift a greater proportion of expenditures to the consumer through a price reform, which they are trying to substitute for the reform of price setting proposed by the 27th Congress of the party) and through the most unexpected ones.

Among the latter group, proposals by N.P. Shmelev stand out particularly.<sup>1</sup>

Expanding the sphere of operation of the internal credit system and creating a domestic credit market is the first avenue suggested by N.P. Shmelev.

Tapping the international credit market is the second avenue. As N. Shmelev believes, we should obtain loans in the amount of several dozen billion dollars. These loans have to be long-term; their repayment is expected to begin 5 to 7 years after they are used. The funds borrowed in the foreign market should be allocated for purchasing abroad industrial equipment in order to set up production for exports (primarily "in machinebuilding and other promising industries") which will be used to pay back the loans.

One cannot disagree with the author in that these sources of financing for our economy are new and unconventional. This is exactly the reason why I would like to look at them in detail. Is everything that is new necessarily optimal?

First, let us go 7 decades back. As one of the renowned economists of this time, N.D. Kondratyev, wrote, the main issue is "which economic task do we make the cornerstone of our economic policy: the task of a better distribution of the product, the task of a consumer nature, or the task of developing productive forces." (VESTNIK SELSKOKHOZYAYSTVENNOY KOOPERATSII, 1919, Nos 3-4, p. 5).

On the eve of the 1920's, this question was real, and not only in the aspect of "war communism." Nor was it rhetorical in the years of the "new economic policy." In the 1920's, the consensus among a considerable segment of theoreticians and practitioners was that industrialization should be financed, firstly, with the moneys accumulated by industry itself (due to the development of production of consumer staples, the regimen of savings, growth of labor productivity, and so forth). The second source, agriculture, was treated not in the customary way of "siphoning off" the funds, but as the base for export proceeds; hence, the task was to promote the expansion

of export-oriented production in the agrarian sphere, on the basis of kolkhozes and sovkhozes, as well as cooperative associations, and of primary production as well as that processed in the same cooperatives. Foreign loans were considered to be the third most significant source of funds for industrialization. It was expected to use them for purchasing machinery and equipment for production purchases.

This was the main line as late as the beginning of the 1920's. However, as many people saw it, it did not provide for a shock pace of development. The priority was shifted to the sphere of distributing and redistributing the surplus, and, in part, the necessary product through a system of prices, taxes, (in)voluntary bond purchases, hopeless (as far as the prospects of repayment were concerned) loans, and so forth.

It would seem that the beginning of perestroika should spell the end of the "redistributive" concept of accumulation based on a broad system of subsidies, on receiving the essentially unearned funds. Is this the direction of measures proposed by N. Shmelev? Foreign loans first of all? Undoubtedly, the funds borrowed in the international credit market or within the framework of international financial and credit organizations (e.g., the International Monetary Fund) should be allocated to the sphere of production. However, what kind of production is it going to be? Is it going to be only export-oriented, as N.P. Shmelev proposes?

For example, the experience of developing countries shows that the dominance of export orientation is not necessarily in line with the needs of the national economy. In addition, imports of foreign equipment and technological processes occasionally entail negative consequences as well, e.g., the so-called "technological dependence" on the seller of the equipment. In this event, any variant of modernizing production means almost automatically that new foreign financing needs to be arranged. Meanwhile, the issue of modernization is quite acute in an environment of the scientific-technical revolution which has considerably reduced the deadlines for obsolescence of machinery and technologies.

In turn, turning out tons after tons of products (especially in machinebuilding) which are not competitive and later have to be sold almost "as a bonus [with something else]" even in the domestic market amounts to nothing else but squandering the loans.

In the event the foreign markets are closed the cutoff of hard-currency proceeds will not only offset the efficacy of using borrowed hard-currency funds but will put the problem of the debt crisis on the agenda.

Export proceeds are justifiably considered to be the main source of repaying the loans obtained. To be sure, securing new loans in order to refinance the debt is another source. However, this is an unmistakable sign of forthcoming economic dislocations.



The idea that the situation with our exports is not entirely favorable has become trivial by now. However, this does not change the situation. In 1986, the share of fuel and energy in the total exports of the USSR amounted to 47.3 percent, or about 32 billion rubles, in 1987—46.5 percent (31.7 billion rubles). In the same year 1986, imports of machinery, equipment and transportation vehicles came to about 25 billion rubles (40.7 percent of imports). In the following year, it was about the same. Less than one-half of such imports was offset by exports of the products of machinebuilding (about 10 billion rubles, or about 15 percent of exports).

At the same time, consumer goods and the raw materials for their production accounted for 30.5 percent of Soviet imports in 1986 and 29.1 percent in 1987. Net imports of grain in 1986-1987 increased by 13.1 percent, of butter—2.1 times, of wool—by 21.9 percent. Net exports of oil in natural units increased by 6.7 percent, and in value by only 0.9 percent. Exports of machinery and equipment declined by 4.6 percent.

In 1987, we exported 1.5 million tons of wheat, having at the same time purchased 18.1 million tons. Meanwhile, the U.S. exported 43.5 million tons of grain in the 1987-1988 agricultural year, without importing a ton.

We are net importers of meat, milk and butter to the tune of about one billion rubles.<sup>2</sup> Where should the milk and butter come from if our "record-holding [cow]" as of 1 July 1988 produced an average of 1,753 kilograms of milk, or less than one-quarter of the average statistical milk yield of the cow in hot Palestine (in 1986, Israel was ranked the first in milk yields among the main milk producers—8,278 kilograms).

For comparison, in 1909 through 1913 products of grain farming accounted for 47 percent of total Russian exports (on the average), in 1926—28 percent, whereas products of cattle raising accounted for 16, 8 and 11 percent respectively. In 1986 and 1987, grain accounted for only 0.2 percent of our exports.

At present, export proceeds depend to a large degree on the conditions in the market of non-food raw materials, and they are mainly spent in order to meet the needs of the populace, without becoming part of the accumulation fund.

Will the expedited growth of export-oriented production on the basis of imported technology result in an appreciable growth of export proceeds? Will it provide a realistic foundation for resolving the issue of Soviet foreign debt in the more or less near term? After all, the tens of billions of dollars which N.P. Shmelev is referring to can only be borrowed on market terms, at relatively high interest rates and for a relatively short period of time. The 5 to 7 years of grace period over which no payments have to be made are but wishful thinking. As a rule, long-term loans are granted in the market for 8 to 10 years which include a grace period. As it is, we cannot

hope to receive the so-called "official development aid" which N.P. Shmelev is hinting at since we are not a least-developed country after all!

At the 10th Congress of the Polish United Workers Party, M.S. Gorbachev formulated an important idea: "We were late to understand what traps were placed on the trade routes leading to the West." Chances are that by importing machinery and technology we will put ourselves in the position of [someone] pursuing a shade. What is altogether new to us may not be competitive in the market anymore. To be sure, joint entrepreneurship provides a guarantee against this, but only to a certain degree and in the event the partners are selected successfully.

Meanwhile, what is going to happen in the agricultural sector of the country which persistently held the first place in world grain exports as late as the 1920's?

The work on establishing self-sufficiency in food is only the first step. It is necessary to take it, difficult as it is. The impact of the arbitrary approach, when "peasant production was treated as something inferior, as the protoplasm from which 'superior forms of large-scale collective farming' were to emerge"<sup>3</sup> are still apparent.

However, this is only the first step. In my opinion, the second step should be to restore the significance of agriculture as an export sector, so that we do not just provide for ourselves what grows in our country, but also derive hard-currency proceeds from this. Are we to import mutton from Australia or butter from France? Agriculture must truly become a reliable "rear area" of the Soviet economy rather than the reason for its ruin.

However, this will only happen when we stop associating the very idea of optimization of all structures in the national economy mainly with the development of group A industrial production [production of the means of production]. Unfortunately, we have become accustomed to the higher rates of growth in this group due to wars and devastation. We have become so steadfastly accustomed to this that we have difficulty resolving to abandon these positions into which we were forced [so that] we will stop fooling each other with estimates of value of light industry and food processing output (there is price growth involved here, among other things!) and will look at the volume of not only output produced but also output sold, [so that] agriculture will make a firm appearance in our theoretical and practical plans as a sector equal in significance to industry but profoundly different from it due to the peculiarities of the organization of production.

There is one more source which should always be kept in mind when talking about the repayment of foreign debt—funds received as repayment of the loans given by the Soviet Union itself. In all of this, the influx of these funds depends directly on the degree of flexibility of our credit policy.

In our management patterns, flexibility and variable scenarios were a novelty for many years. However, the international market forces one to learn, and, unless we "go to capitalists for education," as Lenin wrote, we might find ourselves in a position of someone who refuses to do in Rome as the Romans do. As is known, this is a hopeless and an economically dangerous endeavor. After all, capitalists are not going to subsidize us as easily as the state budget used to.

Raising the issue of expanding the accumulation fund by using external sources of financing will not make some people happy, all the more so because the experience of the "newly industrialized" countries, as well as of other liberated countries, is there for us to see. Their belief in the foreign loans and in the exclusive ability of these loans to mobilize domestic resources has brought about results which were not at all predicted. In most of these countries, an increase in foreign indebtedness (especially after the beginning of the debt crisis in 1982) has been accompanied by lower rates of growth of the GNP and even by a decline in the per capita national income. Thus, between 1982 and 1986, the average annual rate of growth of foreign debt amounted to 23.4 percent for Argentina, 13.1 percent for Brazil, 9.8 percent for Mexico, and growth rates of per capita GNP declined. According to data from the 1988 UNCTAD report, payments on foreign debt of developing countries continue to grow; as a result of this increase the net inflow of foreign loans into the countries mentioned has turned into an outflow (incidentally, such payments claim about 30 percent of their export proceeds). In 1987, the outflow amounted to about \$23 billion, and it is projected to exceed \$30 billion in 1989.

As far as our country is concerned, according to calculations by Western experts the foreign debt of the USSR amounted to about \$38 billion in 1987, and the rates of increase in it were not steady: in 1981-1984, the sum of foreign loans taken out by the Soviet Union declined (by 15.1 percent). Then a quite abrupt leap occurred (by 68.8 percent between 1984 and 1987), and consequently the debt increased by 43 percent between 1981 and 1987. In 1984, the ratio of foreign debt to merchandise exports stood at 35:100, whereas in 1987 at 87:100. The debt service ratio (i.e., payments of principal and interest) increased from 14 percent of exports in 1983 to 23 percent in 1987.<sup>4</sup>

Thus, the billions of dollars to which N.P. Shmelev is referring will become a heavy burden on [top of the] debt already accumulated through loans and merchandise trade transactions. They will come in addition to what we annually fail to collect as a creditor nation. Will this make the budget healthier?

Moreover, in the international arena our country is expected to become more active exactly as one of the leading donors and creditors in order to overcome the

debt crisis of developing countries (incidentally, this was stressed by Secretary General of the UNCTAD K. Dadzi at a press conference in Moscow in August 1988).

Undoubtedly, we can secure loans in the international market. However, where is the guarantee that we will not have to go later, together with less developed countries, to international financial organizations for preferential loans and subsidies in order to cover the deficit in the balance of payments, and, together with them, receive as a bonus a "program of economic stabilization?"

Certainly, this is not reason enough to remove the issue from the agenda. Moreover, a considerable share of the "traps" in trade and economic relations with the West which were mentioned above is set with our own hands, be it through the inefficient use of opportunities to import goods and capital (as it is, many branches of our economy give a pretext for pursuing a policy of "patching things up"), creation of unjustified "distortions" in the structure of exports, lack of flexibility, or outright incompetence.

Sure, you cannot do without haste in certain situations in life. However, the sphere of credit and finance does not let haste go unpunished; this is not one of the above cases. In this instance, a thought of Lenin formulated as early as 1921 is particularly important: "Let us not be carried away by the 'socialism of feelings'" (Collected Works, volume 44, p. 227). We have already had experience with the "socialism of feelings." This is exactly the heritage we are renouncing.

Perestroika amounts primarily to an important step in creating a material-technical basis adequate for socialism. In an effort to secure its tangible results in any manner, as soon as possible, we may end up at the point of departure yet again in 15 to 20 years, but at a qualitatively new level, adding pathological dependence on foreign markets to the economic disproportions of a domestic nature.

#### Footnotes

1. See N.P. Shmelev, *Advances and Debts*, NOVYY MIR, 1987, No 6; *The Ruble and Perestroika*. Interview with N.P. Shmelev by V. Loshakov, MOSKOVSKIYE NOVOSTI, 1988, No 6 (7 February); N.P. Shmelev, *New Concerns*, NOVYY MIR, 1988, No 4; V. Spandaryan, N.P. Shmelev, *Issues in Improving the Efficiency of Foreign Economic Relations of the USSR*, MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA, 1988, No 8.

2. By the way, let us note that, say, imported foodstuffs of animal origin "put on a weight" of about 2 to 3 rubles per kilogram on the way from the border of the USSR to the store shelf. Such is the difference (average) between the foreign trade and domestic retail prices.



3. Iv. Kremnev (A.V. Chayanov), *A Voyage by My Brother Aleksey to the Peasant Utopia Country, Part 1*, Moscow, 1920, p. 31.

4. On the basis of data in *FINANCIAL MARKET TRENDS*, 1988, No 39, pp 24, 25, 26.

### More Foreign Loans Advocated

18200253b Moscow *POLITICHESKOYE OBRAZOVANIYE* in Russian No 1, Jan 89 pp 54-57

[Article by Doctor of Economic Sciences Nikolay Shmelev: "Open Doors or A Tall Fence"]

[Text] Suggestions to expand borrowing in the international financial market which have been advanced recently by Soviet and Western economists have thus far been treated unfavorably or, at best, with a lot of reservations in our country. It is easy to borrow money, but we will have to repay it plus interest. Will we not pass debts on to our children? Will the debt crisis catch up with us, will we find ourselves in the position of a bankrupt [country] unable to pay its bills, like Poland or Mexico? Will the International Monetary Fund dictate its conditions to us, will we lose our economic independence? Such apprehensions arise unavoidably as soon as the conversation turns to securing new loans abroad.

Well, these apprehensions are legitimate and, if there is to be a serious discussion on expanding foreign borrowing, we should certainly analyze all possible consequences, favorable and unfavorable, of increasing international indebtedness. Prior to this, however, we should show what the idea of expanding foreign borrowing proceeds from, what problems we may solve using the borrowed funds, and what is going to happen if we do not resort to loans.

### Current Problems

Perhaps, there is no more important and urgent task than that of saturating the market with consumer goods among all current economic tasks. This is a key, decisive and, essentially, political rather than economic issue. As was stated at the February (1988) CPSU CC plenum, in 1987 proceeds from sales of imported goods taken in by the treasury declined by 9 billion rubles compared to 1985.

Now let us quote some data outlining the general picture. Due to reductions in vodka production and imports of consumer goods, the state budget at present fails to collect several dozen billion rubles. TsSU [Central Statistical Administration]—Goskomstat [State Committee for Statistics] communiques on surpluses of revenues over expenditures registered annually do not deceive anybody anymore. This is a quite crude statistical trick (the printing of new money is simply reported in the

rubric of one of revenue items in the budget—"contributions from state and cooperative enterprises and organizations"). Actually, according to the estimates available, the deficit of the state budget now amounts to 100 billion rubles, and in the last 3 years the magnitude of the deficit has almost doubled. In other words, the money is being pumped into circulation increasingly fast, which brings about an accelerated growth of disproportions in the consumer market.<sup>1</sup>

The retail turnover of state, cooperative (including public catering), and kolkhoz trade increased by 4 percent annually on the average in 1981-1984 and by only 2.5-2.7 percent a year in 1985-1987, whereas the wage fund of workers and clerical personnel combined with the remuneration fund for kolkhoz members increased in 1985-1987 by 3.5 percent annually on the average. Over the past 3 years (1985-1987), total retail sales in current prices increased by 25 billion rubles, and wages of workers and clerical employees and remuneration of kolkhoz members by more than 30 billion rubles, to say nothing of retirement benefits, scholarships, and other income of the populace.

In all of this, we should keep in mind that even before 1985 the situation in the consumer market was far from perfect. Between 1971 and 1985, the amount of money in circulation increased by a factor of more than 3, whereas production of consumer goods increased by a factor of 2, and retail sales in current prices by a factor of 2.1. The pent-up consumer demand accumulated in the 1970's and 1980's now accounts for between one-quarter and one-half of deposits in savings banks, i.e., between 70 and 140 billion. This is why what is happening now is threatening to ultimately undermine the confidence of the populace in the ruble, and actually brings the country to the brink of a financial collapse. Total deposits in savings banks increased by 65 billion rubles, or by almost one-third, in 3 years (1985-1987). If such rates persist, in 3 to 5 years the sum of deposits will exceed the total volumes of retail trade sales and of all monetary income.

In other words, after several more years of this "wild race" the monetary system will plunge into ultimate disarray, and the process will become irreversible. The ruble will lose its value altogether, a barter economy will develop (exchange of goods for goods), as was the case in the time of "war communism," during the war, and in the initial postwar years. There will not be any way back then, and a comprehensive monetary reform will have to be carried out, similar to those which were carried out in our country in 1922-1924 and in 1947. It goes without saying that this painful measure unavoidably associated with the expropriation of the savings of the populace (otherwise the monetary reform will not be effective) will undermine any confidence in perestroika for a long time to come.

What is the way out? Are there alternative variants the implementation of which will allow us to make the precipice between the monetary demand and the supply

of goods narrower? One of them, a price increase without full compensation—should be immediately discarded as unacceptable from the social point of view. This is also the case with other similar variants of boosting proceeds of the treasury—increased taxes, reductions in wages, expenditures for social needs, and so forth. Another variant, promoting consumer goods production, has a drawback in that it will produce tangible results in several years at best. (In the worst possible case, even this will not happen because in the absence of truly radical reforms production of consumer goods will not advance, just as it has not before despite thunderous appeals and resolutions.) Meanwhile, as was already mentioned, there is very little time left.

One more variant, the elimination of restrictions on alcohol sales and a reduction in prices for vodka, is promising and should be carried out as soon as possible. However, such a measure still will not make it possible to balance the consumer market and the budget completely, because, as is known, the problem had developed long ago, and the "vodka deficit" only exacerbated it. A measure such as expanding domestic state loans appears promising: there are reasons to believe that, by offering to the populace bonds at normal (5 to 7 percent) interest rates, i.e., such rates which would at least keep up with the current inflation, the state may easily tap several dozen billion rubles for a long period of time and alleviate the pressure of monetary demand on certain "investment goods" (jewels, antiques, books, garden plots, and so forth). Undoubtedly, this will improve equilibrium in the consumer market and the budget. The only "but" is that this improvement will be achieved at the expense of reducing consumer spending—a voluntary reduction, but a reduction nonetheless. Meanwhile, what we need at present is exactly an expansion of consumption, a tangible improvement in the standard of living.

So, what remains for us—imports of consumer goods on credit? Exactly. At present, we need just **several billion dollars** of credit annually in order to saturate the consumer market to the tune of **several dozen billion rubles** with everything or almost everything that is needed because in the world market everything is available—from meat and grain to VCR's. In the long range, the imports of consumer goods on credit will not solve any problems. However, in the several years to come they will give us what is most important at present—time, a respite until the new economic mechanism kicks in in earnest.

#### Long-Term Priorities

Technical modernization of industry, agriculture, all other branches is the most important economic task in the long run. Tremendous investments are needed in order to renew the production apparatus. However, they are not available anywhere at present: the accumulation fund is claiming an unjustifiably large proportion of our national income, much greater than in other countries,

but investment capital is still in short supply; ministries and departments are constantly arguing among themselves and with the Gosplan [State Planning Committee] and the Council of Ministers about the volume of investment funds allocated.

In some sectors (transportation, especially railroads, ferrous metallurgy, power industry) fixed assets are not only obsolete but also amortized; the time to retire and scrap them came long ago. However, there is no replacement for them, investment funds are lacking. Investment is also needed to expand the housing stock, improve the facilities of health care, education, and science, to build environmental protection installations, and for many other purposes. Actually, everyone needs investments everywhere, today, right now, immediately. What is not clear is where to get them.

Let us say right away: if a radical economic reform is really implemented, then, after a certain period of time, funds for investments will appear in our country due to the elimination of astronomical losses characteristic of the current ubiquitous system of directive planning. These losses are enormous indeed, and they constitute a giant potential for economic growth, a reserve which can be freed up in the event of a profound transformation in the economic mechanism.

Indeed, due to the irrational use of fixed assets (approximately one-third of them is not supplied with labor), incredibly long construction cycles (11-12 years compared to 1.5-2 years throughout the world), supernatural swelling of the stocks of merchandise and materials caused by the extremely poor efficiency of the current system of ration-card distribution, and other similar reasons, we spend up to one-third of our national income (according to Western methodology) for accumulation (productive and non-productive investment plus increment in merchandise and material stocks and reserves), whereas the U.S. only 6 to 7 percent. If we succeed in reducing these losses at least to the level of a market economy at a medium level of development we will be able to free up up to a quarter of the national income due to a better and more reasonable organization of operations with the same obsolete machinery which we have now, the same resources, and the same skills of the workforce. These funds will be allocated to retooling archaic production processes, building housing, schools, and hospitals, and saving the Aral Sea.

The problem is, however, that such a release of funds may only occur several years after the new economic mechanism starts working full tilt, i.e., in the best scenario and according to the most optimistic projections, in the mid-1990's. We should and must borrow money abroad in order to carry out long-term investment projects if we have a serious intention to embark on solving our many social and economic problems today, now, without putting these activities on the back burner, if we want computers to be installed in classrooms of our every school next year rather than 10 years

later, if we want the two-thirds of maternity wards and hospitals in Turkmenia which do not have hot water and sewers at present to receive these amenities after all at least in the beginning of the next decade—if only we really want it. There is no other way out at present.

### Will We Be Enslaved by Imperialism?

Economic progress is accompanied by the increasing interdependence of national economies. Hardly anybody would undertake to argue against this statement. However, until now interdependence has been largely interpreted only as links emerging as a result of international trade. Meanwhile, the past decades have shown altogether convincingly that vigorous participation in international non-trade operations, including international financial transactions, is an indispensable condition for successful economic development. In the competitive struggle in the world market, the companies are now successful which produce and sell their output in many countries of the world and make extensive use of international credit (unfortunately, we still do not have such companies). International debt, including long-term, is a norm of economic activities in the world: private individuals, companies, and governments of various countries provide credit to each other, so that they are debtors and creditors at the same time. International credit makes it possible to shift colossal funds from certain industries and countries to others within a short period of time, to concentrate funds on the most promising directions of scientific-technical advancement, and finance profitable economic projects.

Yes, indeed, difficulties with repaying the debt do occur, and entire countries, to say nothing of individual farms and private persons, go into bankruptcy and do not have funds to pay their bills. Many developing countries which used foreign loans vigorously in the 1970's are now in the most difficult situation: debt service payments have begun to claim the lion's share of their export revenues due to which the potential for imports has declined abruptly, and economic growth has slowed down or even turned into a temporary reduction in output.

However, this is only one part of the truth. The other, no less significant part of it is that in the same 1970's not one or two, but many developing countries made a spurt in their economic development with the help of foreign loans, and (as we were dwelling on the danger of financial enslavement) surpassed us in the level of consumption per capita. In 1982 through 1986, the rate of growth of GNP per capita in Argentina, Brazil, and Mexico, the largest debtors of the world, declined to between 3 and 10 percent under the pressure of foreign debt, whereas in our country, where the debt was modest, production did not only fail to increase at all in 1979 through 1982 but, on the contrary, declined; in 1982 through 1987, production may have outpaced the growth of population, but very marginally (these are alternate estimates differing

from the official data which are greatly overslated, as all serious economists now acknowledge). So, everything is relative in the world, and everything is perceived in comparison.

Furthermore, the current international standing of the Soviet Union is, fortunately, solid. Unlike other spheres, we received a good inheritance in this one after the years of stagnation. The net foreign debt of the Soviet Union [denominated] in hard currency amounts to less than \$30 billion (the U.S.—over \$300 billion, Mexico and Brazil—\$100 billion). With regard to socialist and developing countries, we are a net creditor. If in the foreseeable future the ruble becomes convertible, and we are able to mutually offset debts in hard currency and ruble loans, our net debt will turn out to be minuscule, or even disappear altogether. This means that, even given the most cautious approach, we may now borrow in the international financial market several dozen billion dollars at a minimum **without running any risk at all** of crossing the threshold of solvency and finding ourselves in a position of Poland or Mexico.

How are we going to repay the loans? Firstly, we may not repay them at all, but prolong them, or pay back some of them, the old ones, while obtaining new ones. Continuous indebtedness (within certain bounds, of course) is a normal and natural phenomenon in the contemporary world economic practice which alarms nobody as long as the debtor pays the interest diligently. Secondly, difficulties with repaying the debt will not occur if the planned radical economic transformations will be implemented. Even if we manage just one thing, taking the bureaucratic burden off agriculture, this will be enough to pay back the debt with the hard-currency funds saved by virtue of reducing grain imports. This is not theory anymore, this is practice and real economic experience: in the first 5 years of the radical agrarian reform, China managed to boost production abruptly, feed the country, and make it an exporter rather than importer of grain. This is to say nothing about the possibility of expanding exports as the economic reform in industry and other sectors progresses, despite the fact that there is every reason in this case as well to expect an increase in the efficiency of production and quality of goods, and, consequently, the competitiveness of our enterprises.

In a word, expanding foreign borrowing is primarily a political decision: only the determination and ability of the government to implement truly radical rather than cosmetic economic reforms may be a reliable guarantee of repaying the loans. If economic transformations are reduced to half-measures yet another time, the loans obtained will most likely be used as inefficiently as before. In this case, we cannot count either on reducing grain imports or on reinforcing the export potential. Under these circumstances, indebtedness exceeding a certain critical volume (in our case, roughly \$100 billion) may indeed lead to a solvency crisis.



Finally, an efficient strategy of securing foreign loans is inconceivable in the absence of a radical decentralization of international hard-currency and finance operations. The current absolute monopoly of the Vneshekonombank [Bank for Foreign Economic Relations] on all operations in the international credit market should be abolished, just as the monopoly of Vneshtorg [Ministry of Foreign Trade] on export and import operations is being abolished now. The one and only bank is simply incapable of calculating precisely who needs hard-currency loans and in what amounts.

Enterprises and banks should be granted the right to operate in the international financial markets directly. The state should regulate the process of obtaining loans through economic methods (exchange rate of currency, norms of hard-currency contributions, and so forth).

There is only one situation in which we should not borrow: if we do not trust ourselves a bit, if we are convinced in advance that nothing will work out for us, and no radical restructuring of our economy will come about. At present, the "open economy" is the way of the entire world. Will our economy as well become open and competitive, or will it remain sitting behind a fence for all time to come?

#### Footnotes

1. The author's own research is the source for some statistical data.

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#### Decree, Statute on State Orders Published

##### Decree Text

18200155 Moscow SOBRANIYE POSTANOVLENIY PRAVITELSTVA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK (OTDEL PERVYY) in Russian No 26, 1988 pp 458-462

[Article: "Decree of the USSR Council of Ministers on the Procedure for Formulating State Orders for 1989 and 1990"]

[Text] The realization of the decisions of the 19th All-Union CPSU Conference on extending perestroika, on the consistent implementation of radical economic reform, on the pursuit of a policy of democratization of all aspects of public life, on provisions of laws of the USSR on the state enterprise (association) and on the cooperative system in the USSR necessitates the establishment of a precise procedure for formulating state orders as one of the most important elements in the new system for managing the economy and organizing the activity of enterprises according to the principles of full cost accounting and self-financing.

The state order expresses the state's demands on enterprises, associations, and organizations to produce products (or to perform work or services) to satisfy society's top priority needs. In close interaction with other basic planning data and especially with control figures on the volume of production (or the performance of work or services), the state order is intended to ensure the broad independence of enterprises, the priority of the national economic approach to the realization of the principal directions of acceleration of scientific-technological progress, the structural restructuring of social production, and proportionality in the national economy.

In the course of formulation of the State Plan for the Economic and Social Development of the USSR in 1988 and the formulation of the state order, the indicated basic principles were not properly realized. The ministries and departments that assigned state orders to enterprises did not renounce command-administrative methods of management and unjustifiably expanded the makeup and volume of the state order and in so doing restricted the enterprises' rights. The organization of the formulation of state orders was particularly unsatisfactory at the USSR Ministry of Agricultural and Tractor Machine Building and the USSR Ministry of the Medical and Microbiological Industry.

USSR Gosplan did not articulate substantiated correlations between state orders and the overall volume of production, did not secure proper oversight over the formulation of state orders by USSR ministries and departments, and did not take the necessary measures to eliminate violations.

With the aim of effecting radical improvement in the formulation, communication, and execution of state orders, the USSR Council of Ministers decrees:

1. That USSR Gosplan, USSR Gosnab, USSR ministries and departments, and councils of ministers of union republics shall restructure the procedure, organization and methodology of planned work to determine the makeup and volume of state orders, viewing it as one of the important conditions to the realization in economic practice of principles and methods contained in the new system of economic management. That this work shall ensure:

—the close interaction of state orders with the entire system of basic planning data and especially with control data on the volume of production of products (or performance of work or services);

—the restriction of the makeup of state orders to the most important types of products (or work or services) necessary for the realization of public and social tasks, for the implementation of structural policy, for the fulfillment of scientific-technological programs, and for strengthening the nation's defensive capability and economic independence;

—the reduction of the share of state orders in the total volume of production of products (or the performance of work or services) and on this basis the expansion of the independence of enterprises in the formulation of the production program;

—the use of competitive principles in placing state orders so that they will go to enterprises where the conditions of fulfillment are preferable both from the standpoint of national economic interests and the interests of specific customers;

—the active use of economic levers and stimuli to increase the material interest of work collectives to obtain state orders, to increase the responsibility of enterprises for the timely and quality fulfillment of state orders and to motivate economic management organs to secure their proper placement.

2. The ratification of the proposed Provisional Statute on the Procedure for Formulating State Orders for 1989 and 1990.

3. That USSR Gosplan:

—shall in the process of drafting state plans for the economic and social development of the USSR in 1989 and 1990 secure in them strict correspondence between state orders assigned to USSR ministries and departments, councils of ministers of union republics and interbranch associations and the principles contained in the present decree and the Provisional Statute on the Procedure for Formulating State Orders in 1989 and 1990;

—shall exercise effective control over the placement of state orders and shall strictly halt attempts at the unsubstantiated expansion of the makeup of state orders and at increasing their volume.

4. That USSR ministries and departments and councils of ministers of union republics shall secure:

—the timely placement of state orders and the wide use of competitive principles and economic levers and stimuli in this work;

—the proportionality of production and the requirement for interbranch products and the organization of stable economic relations between enterprises in the intraministry cooperative system. The preservation of economic relations existing between enterprises, their further strengthening and improvement.

5. That permanent organs of the USSR Council of Ministers, USSR Gosagroprom, and USSR Gosstroy shall secure the balanced development of production and the satisfaction of the need for products produced and used within national economic complexes; shall step up the coordination of the activity of USSR ministries and

departments belonging to the corresponding complexes; and promptly resolve questions that arise jointly with USSR Gosplan and USSR Gosstnab.

6. That under the conditions of the assimilation of the new economic mechanism, USSR Gosplan, USSR Gosstnab and its territorial organs, and the councils of ministers of union republics shall be charged with the regulation of the material-technical supply of production and construction in 1989 and 1990 and of customers in the social sphere for products that are not part of the state order. To this end:

—the transition to wholesale trade shall be accelerated in accordance with the decisions of the 19th All-Union CPSU Conference. The state of production and consumption of means of production in the national economy shall be carefully analyzed and the list of producer goods sold through wholesale trade without ceilings and centrally allocated goods [fondy] shall be consistently expanded;

—during the formative period of wholesale trade, ceilings shall be established on the consumption of such products on the basis of control figures communicated to them as a reference point for accounting purposes and in accordance with the production volume adopted by enterprises. These ceilings shall be established by USSR Gosplan and USSR Gosstnab on products that have special significance for national economic proportionality and exports and shall be communicated by them to USSR ministries and departments, to councils of ministers of union republics, to interbranch state associations, and to territorial organs of USSR Gosstnab. Ceiling shall be communicated to enterprises by the appropriate ministries, departments, and interbranch state associations and shall be the basis for concluding economic contracts between producers and customers for the delivery of these products;

—the development of direct ceilingless relations shall be actively promoted between the producers and customers with respect to deliveries of products that are not included in state orders, that are not distributed on the basis of consumption ceilings, and that are not transferred for realization in wholesale trade through supply organizations.

7. USSR ministries and departments and councils of ministers of union republics shall secure the organization of work by enterprises to conclude contracts for the delivery of products according to state orders, ceilings on consumption, and direct orders of customers and material-technical supply organs, bearing in mind the fact that this work must be concluded no later than 15 October of the year preceding the planned year.

8. The approximate model of the interrelationship of the makeup of state orders with control figures on the production of products (or the performance of work or



services) in 1989-1990 for national economic complexes, branches, ministries, and departments prepared by USSR Gosplan with the participation of USSR Gosplan shall be approved. USSR Gosplan shall be instructed to communicate the approximate model to the permanent organs of the USSR Council of Ministers and USSR ministries and departments and councils of ministers of union republics for use in drafting the State Plan for the Economic and Social Development of the USSR in 1989-1990.

9. The USSR Ministry of Finance, together with USSR Gosplan, is ordered to devise and approve within 2 weeks a procedure for stimulating enterprises in the manufacturing branches of industry and construction organizations with which state orders are placed and a scale for determining the size of the bonuses.

10. In the process of determining the development of individual national economic complexes and branches and regions of the nation, permanent organs of the USSR Council of Ministers, USSR Gosplan, USSR Gosplan, and USSR ministries and departments and councils of ministers of union republics must be strictly guided by the present decree and must proceed from the premise that draft decrees may be considered binding for USSR ministries and departments and councils of ministers of union republics and interbranch state associations only as regards the production and delivery of products (or the performance of work or services) included in the state orders. Targets for the production and delivery of other products may be contained in the draft decrees in exceptional cases and only with the consent of the enterprises producing these products or material-technical supply organs.

11. Commissions on improving management, planning, and the economic mechanism, with the participation of interested ministries and departments shall:

- within one month secure the necessary refinement of normative acts and in particular acts that define the procedure for distributing profits, forming economic incentive funds, and for evaluating the performance of contractual obligations, guided by the present decree;
- draft a statute on the formulation of state orders for 1991-1995 on the basis of cumulative experience and the activation of all elements of the integrated economic management system as of the beginning of the 13th Five-Year Plan and submit it to the USSR Council of Ministers no later than 1 October 1989.

N. Ryzhkov, Chairman, USSR Council of Ministers

M. Smirnyukov, Administrator of Affairs, USSR Council of Ministers

Moscow, The Kremlin, 25 July 1988, No 889

#### Provisional Statute

18200155 Moscow SOBRANIYE POSTANOVLENIY  
PRAVITELSTVA SOYUZA SOVETSKIKH  
SOTSIALISTICHESKIKH RESPUBLIK  
(OTDEL PERVYY)

in Russian No 26, 1988 pp 463-480

[Article: "Provisional Statute on the Procedure for Formulating State Orders in 1989 and 1990"]

[Text] The present statute was formulated in accordance with laws of the USSR on the state enterprise (association) and on the cooperative system in the USSR as well as basic statutes on the radical restructuring of economic management approved by the June (1987) Plenum of the CPSU Central Committee and decisions of the 19th All-Union CPSU Conference. It takes into account the work practice of enterprises (associations) in 1988 and the particulars of formation and functioning of the new economic mechanism in 1989 and 1990.

During this period, state orders will be formulated and performed under the conditions of the democratization of management, the development of contractual relations between enterprises (associations), the existing five-year plan, the stage-by-stage expansion of the scale of wholesale trade in the means of production, the restructuring of price formation and the finance-credit mechanism, the improvement of organizational structures of branch and territorial management, and the development of other elements of the integrated system of management. These circumstances necessitate the development of the procedure for formulating state orders for the remaining years of the current five-year plan, and determine the provisional nature of the present statute.

#### I. State orders in the planning and economic management system

State orders are one of the basic instruments in the new system for managing the economy and organizing the activity of enterprises, associations and organizations<sup>1</sup> under full cost-accounting and self-financing conditions. They are an integral part of the system of basic planning data.

The close interaction of control figures, state orders, long-term economic norms, and ceilings is directed toward securing the rational combination of centralized principles in economic management with the expansion of the economic independence of enterprises, the formation of the new quality of economic growth, progressive structural changes in social production, and the balanced development of the national economy.

The present statute addresses problems pertaining to the formulation of plans for economic and social development only as regards the establishment of state orders in their interrelationship with control figures on the volume of production of products (or performance of work and services).

**Control figures**, and especially the indicator of production of products (or the performance of work or services) in value terms for the conclusion of contracts, reflect the general needs of the national economy and the population, are not mandatory, and are communicated to enterprises as reference points, the attainment of which should ensure the balanced development of the economy in general. In the interest of giving enterprises the possibility of becoming more precisely oriented on changes in the structure of social needs and the population's demand as part of the overall volume of production of products (or the performance of work or services), the volume of production of the most important types of products is indicated for consolidated items in value or physical terms and is used in calculations for work on draft plans and for concluding economic contracts.

**State orders** express the state's demands on enterprises to deliver products (or perform work or services) to satisfy top priority social needs and to secure the acceleration of scientific-technological progress and the social restructuring of the economy. As a rule, they encompass part of the production program of enterprises.

State orders are established for:

- the delivery of certain types of products that are needed above all for the realization of public and social tasks, for the fulfillment of scientific-technological programs, for the strengthening of the nation's defensive capability and securing its economic independence;
- the performance of key research and development work that revolutionizes social production;
- the delivery of agricultural produce;
- the activation of the most important production capacities and facilities in the social sphere on the basis of state centralized capital investments. At the behest of enterprises, local Soviets of People's Deputies, interbranch state associations, ministries and departments, state orders may be formulated for the activation of key production capacities and facilities in the social and cultural sphere that are created on the basis of own capital and other sources of financing.

Enterprises, oriented toward the control figures and guided by state orders, formulate their own production program, make decisions to secure the more complete utilization of capacities, to high end results and to obtain cost-accounting income which in accordance with the Law of the USSR on the State Enterprise (Association) is the source of the production and social development of work collectives.

State orders are established in the state plan for the economic and social development of the USSR and are communicated to enterprises by USSR Gosplan through

USSR ministries and departments and councils of ministers of union republics and interbranch state associations under the procedure provided in the present statute. It is mandatory that these orders be included in enterprise plans.

State orders for the delivery of products (or performance of work or services) and for the activation of production capacities may be placed on a competitive basis. Ministries and departments establish the list of products (or work or services) together with specifications of the basic demands on their manufacture, formulate the terms of competition, specify completion deadlines, and together with the territorial organs of USSR Gosstab, organize the supply of the necessary information to enterprises regardless of their departmental affiliation. In order to take part in the competition, enterprises communicate their proposals on the volume of production and deliveries (performance of work and services), its technical and economic parameters (indicators of the technical level of products, environmental protection, productivity, price, etc.), and indicate the schedule for completing the orders. Ministries and departments examine these proposals and reach decisions on placing state orders at enterprises where the terms of their fulfillment are preferable from the standpoint of the interest of the national economy and the interest of the specific customers.

Questions relating to the organization of the placement of state orders on a competitive basis for the delivery of products that are of an interbranch nature are decided by permanent organs of the USSR Council of Ministers, USSR Gosagroprom, and USSR Gosstroy.

Cooperative enterprises may voluntarily participate—also on a competitive basis—in the fulfillment of state orders.

## II. Basic Principles in the Formulation of State Orders

The formulation of state orders begins with the determination of their composition, i. e., a list of products (work or services) required for the realization of key state tasks, the acceleration of scientific-technological progress in branches of the national economy, the structural restructuring of the economy, and the attainment of the principal goals of social policy.

State orders are formulated during the plan period by USSR Gosplan together with USSR Gosstab based, on their examination of proposals of USSR ministries and departments and councils of ministers of union republics and interbranch state associations, and are approved by USSR Gosplan.

State orders for 1990 are communicated to USSR ministries and departments and councils of ministers of union republics and interbranch state associations prior to 1 March 1989.

The specific volume of state orders for products (or work or services) in this category is determined by USSR Gosplan, and for products distributed by USSR Gosnab—together with the latter. This work is based on the determination of the needs of the national economy and population with due regard to the proposals of USSR ministries and departments and councils of ministers of union republics and leading production and science-production associations and interbranch scientific-technological complexes, and also on the basis of assignments emanating from state scientific-technological programs and the Comprehensive Program for Scientific-Technological Progress of CEMA Member Nations. It is based on the system of accounting balances of production and distribution of material-technical resources and the active interaction of customers and producers.

State orders for the delivery of products (performance of work or services) must ensure:

- the social reorientation of the economy, the satisfaction of the population's effective demand for basic goods and services with due regard to the needs of its different age groups;
- the wide-scale introduction of the most important scientific and technological advances into the national economy and progressive changes in branches of the production and social spheres;
- deliveries of the most important fuel and raw material resources required for the stable operation of all sectors of the economy;
- the fulfillment of intergovernmental agreements on deliveries of goods especially with CEMA member nations;
- the strengthening of the nation's defensive capability and its economic independence; and
- the formation of the material reserves of the USSR Council of Ministers.

State orders do not include:

- series- and mass-produced producer goods;
- products used within a ministry and products used within the same national economic complex;
- products used for the technological needs of enterprises;
- narrowly specialized products that are essentially produced by one manufacturer and consumed by a limited number of enterprises;

—and products of joint enterprises of the USSR and other CEMA member nations and joint enterprises in the USSR with firms in capitalist and developing countries.

State orders are formulated with regard to the branch specifics of production and the significance of the products to the national economy and may be formulated both in terms of the volume of production and the delivery of individual types of products (or performance of work or services) and in terms of the *nomenklatura* [list of goods].

State orders for the volume of production and deliveries of products are as a rule established for enterprises that extract and produce fuel, raw materials and supplies and that hold special significance for the stable development of the economy as a whole.

Considering the urgency of the problem of balancing the population's growing money incomes in 1989 and 1990 with the volume of production of consumer goods and the rendering of services, state orders are established for enterprises in all branches of the national economy (with the exception of the USSR Ministry of Light Industry) for the entire volume of production of food as well as nonfood consumer goods in retail prices and the rendering of paid consumer services.

State orders are assigned to enterprises in branches of industry that produce a large number of different products for the delivery of the most important products according to the list or specific *nomenklatura*.

Enterprises formulate the intragroup *nomenklatura* of state orders independently on the basis of proposals of customers and material-technical supply organs. The supplier may not refuse to conclude a contract with a customer for the delivery of specific products relating to the group *nomenklatura* of state orders if the production of these products corresponds to the supplier's area of specialization.

Based on the generalization and analysis of draft branch and territorial plans for the coming year prepared by USSR ministries and departments and councils of ministers of union republics and interbranch state associations, USSR Gosplan prepares a draft of the state plan for the economic and social development of the USSR and communicates to them no later than 10 August of the year preceding the planned year state orders and the volume of production of products (or performance of work and services) in value terms and other indicators in accordance with the Law of the USSR on the State Enterprise (Association). The volume of production of specific types of products adopted by enterprises in their plans on the basis of control figures communicated to them in value and physical terms are used only for concluding economic contracts and as a base for calculating material balances and distribution plans that are not a part of the state plan.



Ceilings on centrally distributed material-technical resources are communicated by USSR Gosplan and USSR Gosstab to USSR ministries and departments and councils of ministers of union republics and interbranch state associations no later than 20 August of the year preceding the planned year.

Ministries, departments and interbranch state associations communicate state orders, the volume of production of products (or the performance of work and services) and the indicated ceilings in the draft state plan for the economic and social development of the USSR to subordinate enterprises no later than 1 September of the year preceding the planned year for the purpose of completing work on concluding contracts for the delivery and organization of the preparation of production.

USSR ministries and departments and interbranch state associations do not have the right to include additional products (or work or services) in state orders, to expand the makeup of state orders approved by USSR Gosplan, and to increase their volume.

Under conditions where the share of state orders is diminishing and the independence of enterprises in formulating their production program, the work methods of enterprises and organs of management to secure the reliable material-technical support of the national economy are changing.

Wholesale trade in the means of production will play a growing role in the material-technical supply of enterprises. It is being developed by USSR Gosstab as well as by USSR Gosagroprom, USSR ministries and departments and enterprises. Enterprises acquire products through wholesale trade without ceilings and centrally allocated products. USSR Gosstab and other organizations engaged in wholesale trade articulate the list of producer goods that are sold under the indicated procedure and inform USSR ministries and departments and councils of ministers of union republics and enterprises about this.

The centralized distribution of products produced on the basis of state orders is handled by USSR Gosplan and USSR Gosstab.

Considering the fact that state orders do not apply to many types of interbranch products that have substantial significance for the balanced development of the national economy, their consumption during the period of development of wholesale trade is regulated through ceilings on consumption that are determined on the basis of the volume of enterprises' output based on control figures that are communicated to them as a calculated reference point. Ceilings on consumption are imposed on products that have special importance for the national economic balance and exports, taking into account the proposals of enterprise-suppliers and customers, are communicated to USSR ministries and

departments and councils of ministers of union republics, interbranch state associations, and territorial organs of USSR Gosstab by USSR Gosplan and USSR Gosstab. These limits are communicated to enterprises by the corresponding ministries, departments, and interbranch state associations and are the basis for concluding contracts between producers and customers.

The material-technical supply of products that are not included in state orders, that are not distributed under ceilings on consumption, and that are not wholesaled through supply organizations is handled by enterprises independently on the basis of direct ceilingless orders based on economic contracts. Enterprises as a rule preserve existing economic relations, strengthen and improve them, and do not permit the unjustified one-sided termination of these relations.

Questions arising in the course of regulating the material-technical supply of the national economy and the balancing of production and the need for products that are not included in state orders and that are not distributed under ceilings on consumption are examined and resolved:

- by the appropriate ministries and departments: in the case of products used within the same ministry;
- by the appropriate complexes of USSR Gosplan, USSR Gosstab, and the USSR State Committee for Science and Technology, as well as by permanent organs of the USSR Council of Ministers, USSR Gosstroy, and USSR Gosagroprom: in the case of products that are produced and used within national economic complexes;
- by the appropriate USSR ministries and departments, councils of ministers of union republics, and permanent organs of the USSR Council of Ministers together with USSR Gosplan and USSR Gosstab: in the case of intercomplex products.

### III. Particulars in the formulation of state orders in national economic complex

State orders are formulated in close interrelationship with control figures on the volume of production of products (or the performance of work or services).

The specific size of deliveries of products (performance of work or services) included in state orders and their share in the volume of production of products (performance of work or services) are established in the process of drafting the state plan for the economic and social development of the USSR for the corresponding year with due regard to the significance of the products in public consumption, the degree of market saturation and the level of development of wholesale trade in the means

of production. The unsubstantiated expansion of the state order and the restriction of the independence of enterprises in the planning of its production program are not permitted.

In the state order, enterprises in the **machine building complex** are scheduled to deliver the most important, progressive types of machines, equipment, instruments, automatic systems, and computers designed to accelerate scientific-technological progress in the national economy, to assimilate fundamentally new types of equipment and technological processes corresponding to the world level.

The state order to machine building enterprises also includes the delivery of basic production equipment for creating the most important production capacities indicated in the state order and for the performance of export obligations. The state order is established for certain types of custom-made equipment with a production cycle of more than 12 months.

The state order in the **metallurgical complex** is assigned to the USSR Ministry of Ferrous Metallurgy and the USSR Ministry of Nonferrous Metallurgy only for the final product of these ministries, i. e., without regard to intrabranchn technological consumption.

The state order for enterprises belonging to the USSR Ministry of Ferrous Metallurgy is assigned for the total volume of delivery of finished rolled metal outside the Ministry. Within the state order, a distinction is made for the *nomenklaturnyy* state order for the most important types of products. The remaining *nomenklatura* of delivered metal products is coordinated with customers within the limits of the consumption ceilings assigned to them.

The state order that is assigned to enterprises belonging to the USSR Ministry of Nonferrous Metallurgy is established for deliveries of nonferrous metals and products in their full volume outside the ministry but a separate distinction is made for the *nomenklaturnyy* order for the most important types of products. The procedure for the remaining products is analogous to the procedure established for ferrous metallurgy enterprises.

The state order that is communicated to enterprises in the **wood chemistry complex** includes the most important types of products that determine conditions for the basic improvement of the structure of consumption of construction materials in all branches of the national economy and the introduction of intensive technologies in agriculture. The state order is established for the full volume of deliveries of individual types of medicines, white products, special chemical products, and newsprint.

The state order in the **fuel-energy complex** applies to oil, gas condensate, natural gas, and coal.

The state order to oil-extracting enterprises applies to all oil and gas condensate.

The state order to **gas-extracting enterprises** applies to the extraction of gas and gives them the option of independently planning and selling 10 percent of the gas to be delivered outside the ministry.

The state order in the coal industry defines the volume of delivery of coal to the population (market stocks), for coking, for the creation of state reserves, and for export.

The state order stipulates the increase in known reserves of the most important types of mineral resources for enterprises engaged in **geological prospecting work**.

The state order in the **agroindustrial complex** is formulated in accordance with the Law of the USSR on the Cooperative System in the USSR, with the particular features of the new economic mechanism on kolkhozes and sovkhozes, and with regard to the increasing integration of agricultural production and the processing branches of industry.

The state order for **agriculture produce** includes the delivery of grain (broken down by major crops), wool, cotton (calculated in terms of cotton fiber), furs, and furskins to the state and is communicated to the councils of ministers of union republics and USSR Gosagroprom.

Councils of ministers of union republics and USSR Gosagroprom communicate the state order for the delivery of agricultural produce to agrocombines, agricultural firms, other agroindustrial formations, and rayon agroindustrial associations (in republics with oblasts)—through councils of ministers of autonomous republics, ispolkoms of kray and oblast Soviets of People's Deputies. On the basis of the communicated order, agrocombines, agricultural firms, and other agroindustrial formations and rayon agroindustrial associations organize efforts to conclude contracts on the delivery of produce by kolkhozes, sovkhozes, and other agricultural enterprises.

The state order for the **processing industry** of the agroindustrial complex includes the delivery of the most important types of products—margarine products, baby food, food fish, flour, groats, pasta, tea, cotton fiber, flax fiber, hides—within the agroindustrial complex; and granulated sugar and vegetable oil—the full volume of production.

The state order for the delivery of meat and meat products, milk and dairy products, eggs and egg products, potatoes, vegetables, melon crops, fruits and berries, table grapes, dried fruit, citrus fruit, mixed feed, and hay to the **all-union fund** is established for councils of ministers of union republics. Councils of ministers of



union republics with oblasts communicate this order to the councils of ministers of autonomous republics and ispolkoms of kray and oblast Soviets of People's Deputies.

In order to satisfy the needs of republics, councils of ministers of union republics establish the state order for the delivery of the given products to republic funds.

Considering the multibranch character of the agroindustrial complex, USSR Gosagroprom may as an exception and in agreement with USSR Gosplan formulate a state order for individual products of agriculture and the processing industry of this complex.

The state order in **forestry** provides for the most important work in forest management and reforestation in state forests.

The state order for **nonfood consumer goods** is established for enterprises in all branches of the national economy (except for enterprises in the USSR Ministry of Light Industry) for 1989 and 1990 in the full volume of their production in retail prices. It identifies individual types of goods that are of special social significance and technically sophisticated durable goods in the group *nomenklatura*.

The consumer goods mix is determined independently for enterprises independently on the basis of the results of wholesale trade fairs and in accordance with contracts concluded with trade organizations and also with regard to proposals of councils of ministers of union republics and local organs.

The state order for enterprises belonging to the **USSR Ministry of Light Industry** is established for the delivery of goods for children, youth, and older people in the most important *nomenklaturnyy* groups as well as work clothing and special products.

The overall volume of production of light industry products in retail prices and of individual most important products in physical terms is communicated to the ministry's enterprises in the control figures. The enterprises, taking their orientation toward these indicators, develop and approve their own production plans and their mix on the basis of the results of wholesale trade fairs and contracts concluded with customers with due regard to the established state order and proposals of councils of ministers of union republics and local organs.

The state order for **paid services to the population** is established for USSR ministries and departments and councils of ministers of union republics for the full volume of these services. Proposals by local organs are taken into account in the formulation of the state order.

The state order for the volume of **state retail trade turnover** is established for councils of ministers of union republics and for the Main Trade Administration of the

USSR Ministry of Defense. The overall volume of retail trade turnover in state and cooperative trade is communicated to councils of ministers of union republics in the form of control figures.

The state order in **capital construction** is established for clients (*zakazchiki*) and contractors for the commissioning of most of the important production capacities financed by state centralized capital investments and also on the basis of proposals of enterprises, local Soviets of People's Deputies, ministries and departments on the basis of their own resources and other sources of financing. This list primarily emphasizes construction projects and facilities that have national economic, interbranch and regional significance and that are called upon to accelerate scientific-technological progress and structural restructuring in the national economy. The list of construction projects is communicated to USSR Gosstroy and USSR ministries and departments and councils of ministers of union republics and to clients and contractors participating in the investment process.

In the overall volume of contractor-performed construction and installation work communicated to construction organizations in the control figures, separate distinction is made for the volume of work on productive construction projects that are included on the given list. The volume of construction and installation work at specific construction projects included on the list must strictly correspond to norms governing the duration of construction.

In the formulation of plans for contractor-performed work, specialized construction organizations must give top priority to including work volume on the creation of production capacities and on the construction of facilities specified in the state order. Disagreements that arise between the general construction and specialized organizations of ministries belonging to the construction complex regarding the performance of work at these facilities are examined and resolved by the corresponding ministries and by USSR Gosstroy; disagreements involving construction ministries and departments belonging to the construction complex are resolved by USSR Gosplan.

The state order is established for clients and contractors for the commissioning of facilities in the material base of the social sphere (dwelling houses, preschool institutions, schools, hospitals, outpatient institutions, and other facilities) on the basis of centralized state capital investments and also according to proposals of enterprises, local Soviets of People's Deputies, ministries and departments using their own and other sources of financing.

Indicators characterizing the development of the material base of the social sphere from all sources of financing are reflected in the control figures communicated to the clients.

Based on control figures communicated by USSR Gosplan on the total activation of facilities in the sociocultural sphere financed by all sources and taking the proposals of enterprises (associations), construction-installation organizations, and local Soviets of People's Deputies into account, USSR ministries and departments and councils of ministers of union republics, together with client USSR ministries and departments whose enterprises are situated on a republic's territory, formulate—with the consent of ministries and departments performing construction and installation work—consolidated plans for commissioning dwelling houses and social facilities (with the advent of the state order) and approve them as part of the comprehensive plan for the economic and social development of the union republic, guided by targets indicated in Decree No 431 of the USSR Council of Ministers dated 10 April 1987.

The targets of the consolidated plans, including the state order, are communicated by USSR ministries and departments that are clients and contractors to subordinate enterprises.

In 1989 construction organizations form at least 10 percent of their production program on the basis of direct contracts with clients; in 1990, this figure will be at least 25 percent.

The state order requires enterprises belonging to the USSR Ministry of the Construction Materials Industry to deliver the basic types of products of the cement, asbestos-cement, asbestos industry, and technical glass.

In order to satisfy all-union needs (exports, retail trade, reserves, special and other needs) and to secure inter-republic deliveries, USSR Gosplan and USSR Gosstnab assign firm annual state orders to councils of ministers of union republics for the delivery of construction materials to the all-union fund according to the *nomenklatura* assigned to the republics.

The state order envisages the following for the transport and communications complex:

—for the USSR Ministry of Railways—the volume of rail freight shipping based on the sum of established *nomenklatura* groups and rail passenger traffic;

—for the USSR Ministry of the Maritime Fleet—the volume of cargo shipping in coastal navigation to regions of the Far North or regions equated with them. Revenues from foreign freight shipping and marine traffic transport minus costs (in foreign currency) are established in control figures;

—for the USSR Ministry of Civil Aviation—air passenger traffic;

—for the USSR Ministry of Communications and councils of ministers of union republics—the increase in basic telephone apparatuses and the length of intercity telephone channels, including the application of optical communication cables.

For the development of science and technology, the volume of work in the leading directions of scientific research is assigned to USSR ministries and departments and councils of ministers of union republics and interbranch state associations as part of the control figures for the purpose of implementing state scientific-technological programs, the basic works of interbranch scientific-technical complexes, targets of the Comprehensive Program for the Scientific-Technological Progress of CEMA Member-Nations, and the basic general indicators of scientific-technological progress in branches of the national economy.

The state order incorporates the most important stages in the implementation of state scientific-technological programs and basic development efforts of interbranch science and engineering complexes, and fulfillment of targets of the Comprehensive Program of Scientific-Technological Progress of CEMA Member Nations. The specific content of this work is defined by the USSR State Committee for Science and Technology with the participation of the USSR Academy of Sciences, USSR ministries and departments, councils of ministers of union republics, and interbranch state associations.

Currency earnings for foreign economic relations, including earnings in transferable rubles, in freely convertible currency, and in currencies of countries with which accounts are settled by clearing, are specified in control figures of USSR ministries and departments, councils of ministers of union republics, and state interbranch associations.

The delivery of the most important types of products to CEMA member nations as well as deliveries based on intergovernmental agreements are counted in the determination of the specific volume of state orders and ceilings on consumption according to branch. The state order also includes the most important foreign construction projects.

The delivery of products not included in a state order to CEMA member nations, under intergovernmental agreements, and for the most important foreign construction projects are incorporated in product distribution balances and plans by USSR Gosplan, USSR Gosstnab, USSR ministries and departments, and councils of ministers of union republics.

Councils of ministers of union republics establish state orders for the delivery of products (performance of work or services), guided by the present statute, and communicate them to enterprises in the republic economy through ministries and departments of union republics.

#### IV. Relations of the parties in the placement and fulfillment of state orders

The placement and timely and quality fulfillment of state orders for the delivery of products (the performance of work and services) are secured by the system of measures relating to the economic interest, mutual responsibility of the parties, and legal guarantees in accordance with the Law of the USSR on the State Enterprise (Association), the Law of the USSR on the Cooperative System in the USSR, statutes on deliveries of products (goods), and other legislative acts.

Ministries, departments, and state interbranch associations that place state orders with enterprises as stipulated in the state plan for the economic and social development of the nation bear responsibility for:

- assigning ceilings to enterprises on the most important material-technical resources, construction-installation, and contractor-performed work;
- resolving questions relating to the marketing and timely organization of work on the conclusion of economic contracts.

If a customer refuses to accept a product (or work or service) included in a state order and if it is impossible to sell this product to other customers, the USSR ministry or department or state interbranch association, with the consent of USSR Gosplan and USSR Gossnab, makes the appropriate correction in the state order. Corrections in the state order in the republic economy for the indicated reasons are made by the union republic ministry or department with the consent of the republic gosplan and gossnab.

If the modification of an issued state order at the behest of ministries and departments causes material damage to the manufacturing enterprise, the enterprise is compensated by centralized funds and the reserves of the given ministries and departments. If the state order is modified at the instigation of USSR Gosplan, USSR Gossnab, or councils of ministers of union republics, the total damage is compensated by the union or republic budget.

Enterprises receiving a state order are obligated:

- to include the state order in their plan, to conclude economic contracts with customers in full agreement with the volume of the state order, that concretize the *nomenklatura*, mix, quality of the product (work, services), the deadline for filling the orders, and other conditions in accordance with the existing legislation;
- to secure the timely and quality fulfillment of the state order for the delivery of products (or performance of work or services) in strict accordance with concluded contracts;

—to provide for the development of production capacities required for the fulfillment of the state order using centralized as well as own and borrowed funds;

—to secure the production of products (performance of work or services) under the state order using material-technical resources obtained on the basis of the established ceilings and central allocations as well as resources acquired through wholesale trade and through direct ties with supplying enterprises.

The interest of enterprises in adopting and fulfilling the state order is secured through the system of economic levers and stimuli under the conditions of full cost accounting and self-financing and a number of fringe benefits.

Enterprises in the manufacturing branches of industry that receive a state order for the delivery of producer goods (with the exception of special goods) and construction-installation organizations performing work under contract to create production capacities under the state order receive additional economic exemptions from making payments from their profits (income) to the state budget. Payments to the budget are reduced in such a way as to ensure an increase in profits left at the disposal of enterprises to 10 percent (for enterprises using the form of cost accounting that is based on the normative distribution of income—to 3 percent of the cost-accounting income) depending on the share of the state order in the overall production of products (performance of work and services) in value terms. The USSR Ministry of Finance together with USSR Gosplan establishes the procedure and scale for determining the size of bonuses for individual ministries and departments.

The given exemption is not granted to industrial enterprises for the nonfulfillment of contractual obligations for the delivery of products indicated in the state order; it is not granted to construction-installation organs violating the contractually specified volume and deadline for activating production capacities under a state order.

Considering the fact that the conclusion of contracts by kolkhozes, sovkhozes and other agricultural enterprises for the delivery of products on the basis of state orders issued to agrocombines, agricultural firms, other agroindustrial formations, and to rayon agroindustrial associations is voluntary, the given associations, combines, and other formations take measures to stimulate deliveries with the aid of the existing system of purchase prices and markups in them, to ensure guaranteed sales, to allocate material-technical resources, to establish ceilings on contractor-performed work, and other economic levers.

Additional economic stimulation is established for enterprises in the fuel-raw materials branches of industry that have assumed the obligation to produce in excess of the state order established at the level of five-year plan targets.



A special procedure is used to encourage enterprises to produce nonfood consumer goods.

#### Footnote

1. Hereafter referred to as enterprises.

## PLANNING, PLAN IMPLEMENTATION

**Rush for First Quarter Statistics Questioned**  
18200302 Moscow SOVETSKAYA ROSSIYA in  
Russian 4 Apr 89 p 1

[Article by V. Mironov, first deputy chief, Yakut Statistical Administration, and P. Matveyev, honored worker of the Yakut ASSR national economy, Yakutsk: "Statistics Rush"]

[Text] The first of the month marks the end of the accountability month, quarter or year and beginning of the next. This is a day of Union-wide rush for the army of accountability-statistical workers, a day of intensive telephone, telegraph, teletype and radio communications, and the peak load of accountability and computing machinery and devices. Having reduced the number of indicators and changed the procedure and periodicity of some reports, the USSR State Committee for Statistics also shortened deadlines. As a result, all current accounting data in agriculture, and virtually all term accounts in industry, construction, trade, consumer services, and so on, must be submitted on the first day of the following month during the first half of the day or, at the latest, by 3 p.m. local time.

Is this deadline realistic? It is quite difficult to assemble and submit in a few hours complete and accurate accounts under the new working conditions of the enterprises, their increased autonomy, the contracting method which is being applied in production, and the organizing of cooperatives functioning on the basis of the enterprise's plan. In the case of agricultural enterprises which have either converted or are converting to full contracting (brigade, family) this is totally impossible. Under the leasing system, neither orders nor ordinary bookkeeping documents are available. The contracting units are widely scattered. How are the farms dealing with the reports? In practice, kolkhozes and sovkhoses must close all order accounts, roughly by the 25th. This is a most severe violation of the requirements of accountability discipline. However, we have to tolerate it, for otherwise the deadline cannot be met.

The reports submitted with such rush contain some inaccuracies, for in the majority of cases the data are not based on primary accountability or, if they are, they do not cover the entire period. They have neither been checked nor analyzed by enterprise or farm managers and specialists. Nonetheless, it is on the basis of such

data that summaries, bulletins, reports and "express-information" documents are submitted. Analyses and conclusions, which do not reflect the true situation entirely accurately, are drawn up on the basis of questionable figures.

Speed in submitting information has become the main indicator of the work of the statistical authorities. We are constantly requested to be fast. In support of this demand, examples borrowed from the practices of highly developed capitalist countries are quoted to us (from the United States, the FRG) where, allegedly, the very next morning management on all levels is already informed of what occurred on the previous day. Naturally, with highly developed production automation and computerization this would be a simple matter. Essentially, however, we even lack mechanization facilities for primary bookkeeping. In the central offices of sovkhoses, construction organizations and trade and consumer service enterprises figures are still being computed with abacuses. Information is being gathered and processed manually. We must also bear in mind that reports are submitted by the organizations essentially by telephone or telegraph. It becomes necessary to check, to refine, and to correct errors. All of this demands increasing amounts of time.

We must begin by fully mechanizing the processing of primary bookkeeping operations at enterprises and farms, with the help of computers. We must combine the information systems on the production level with departmental ASU and the Unified Statistical Information System. It is only after that, that one could speak of developing real speed.

"Accountability by the first of the month" conflicts with the entire system of contractual relations between suppliers and consumers, state orders and their own deadlines, and items included in the nomenclature lists. Relations among partners are determined by the economy and not by directives. For example, if a subcontracting construction organization has not completed an industrial project within the stipulated deadline it must pay a heavier fine; if a project in the social area is delayed, the culprits must compensate for all outlays. Contractual relations make it possible for economic managers and specialists accurately to assess their forces, and all that is left for the planning authorities to do is to assemble the data within a unified state plan. This automatically eliminates the need to gather a mass of totally unnecessary information by the first of the month. There is no need for the executive committees to hold quarterly meetings on the results of the implementation of the plan and the planning committees do not have to copy the bulletins and reports of the oblast statistical administrations.

Another argument against unnecessary statistics is the economic report on self-financing. Who should be the first to be concerned about surpluses of capital and working assets? Should it be the personnel of the state

apparatus or, once again, the production workers themselves, who are hit in the pocketbook by all the undesirable consequences of this situation? We believe that the manager and the labor collective council can see more clearly and determine whatever it may be that they need in order to ensure the efficient work of the collective in each specific case. In the final account, questions of negligence and waste will be checked by the people's control authorities, the state banks and other departments.

In precisely the same way, deadlines for accounts should not be dictated to the sovkhozes, such as which specific farm would need a certain number of combines for the harvest season. Under Yakut conditions, nature itself sets short harvest deadlines. Consequently, no one is interested in spending more money on harvesting equipment. In the final account, what matters is not drafting notes but end results: gathering the full harvest and obtaining high quality grain untouched by the frost.

In short, the question of deadlines for submission of statistical accounts is not as simple as the USSR State Committee for Statistics may think. Meanwhile, lack of understanding of real life is a manifestation of conservatism and alienation from vital concerns.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Ways of Overcoming Deficit, Improving Economy Discussed

18200259 Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 4, Feb 89 pp 3, 4

[Article by Yu. Rytov, economic commentator of PRAVITELSTVENNYY VESTNIK: "How Is the Health of Our Economy?"; first four paragraphs are source introduction]

[Text] The CPSU Central Committee Politburo examined a set of questions connected with the financial health of the economy and a strengthening of the country's monetary circulation at a meeting held 16 February.

Urgent measures were defined whose execution will enable negative trends in the economy, finances, and monetary circulation to be halted and the state of affairs in the consumer market to be improved. A considerable reduction was proposed for state-budget expenditures, primarily for financing centralized capital investment in the production sphere, for defense and control, and for an increase in the state's income, mainly by increasing efficiency of production, eliminating its unprofitability, and making more active use of diverse forms for mobilizing monetary resources in all sectors of social production.

With a view to normalizing monetary turnover, it was proposed to increase additionally in 1989 commodity resources available for sale to the public and to cooperatives through an expansion of consumer-goods production. An additional portion of the output for production-equipment purposes and lumber and building materials will be sent to the consumers' market.

Providing for a closer correlation of wages with the final results of enterprise operation was called for.

The readers of our newspaper know full well that we entered this year with a big deficit in the state budget. Its expenditures were defined as a total of 494.7 billion rubles, an 11.5-percent increase over the preceding year. Income was 458.4 billion rubles. Growth was only about 3.3 percent. Thus, the shortage of financial resources was determined to be a total of 36.3 billion rubles, which is 7.3 percent of the total state budget.

And so, serious negative processes in our financial affairs have begun to appear extremely clearly.

And at the very end of last year, the CPSU Central Committee Politburo formed a Commission on Questions of the Country's Financial Situation. N. I. Ryzhkov, CPSU Central Committee Politburo member and Chairman of the USSR Council of Ministers, was appointed chairman. The commission's first session was held 30 December 1988. The second on 23 January. Members of the USSR Council of Ministers Presidium and supervisory personnel of ministries, agencies and social organizations participated in the work.

One must live within one's means! This can express most laconically the essence of the proposals that the commission developed. This formula, which every housewife is familiar with, may seem too obvious to anyone. However, on the state scale, this obvious principle has not been taken into consideration for a long time.

The observation of Nikolay Ivanovich Ryzhkov, which he shared with the USSR Council of Ministers session that was discussing the problem of the country's social and economic development in 1988 and for the first three years of the 12th Five-Year Plan, was recalled.

"At the last session of the USSR Supreme Soviet," he said, "a deficit in the state budget was announced for the first time. We considered that an explosion would occur. But not one of the deputies said a word. Why was no interest displayed in such a vital problem? It is because finance has been a closed area for a long time. It has been perceived by many people as something abstract. But as a matter of fact, monetary turnover is our life. Finances reflect the health of the economy...."



Yes, finances reflect the health of the economy. And right now it has become completely obvious that this health clearly leaves something to be desired and that extraordinary measures for the country's financial health are necessary.

Of course the current situation in finance has existed not just today or yesterday, and not as a result of measures for restructuring the economy. Problems have been building up for decades. But the time has finally come for solving them!

The commission ascertained that negative trends in the financial sphere are manifested mainly in an increase in the state budget deficit, oversaturation of the monetary turnover with payments funds, a lack of balance in foreign-currency settlements, and a sharp lag in the output of consumer goods and services provided from monetary income. As a result, inflation processes were strengthened, the ruble's purchasing power was reduced, and the consumers' market was destabilized.

All this complicated seriously the restructuring being conducted in the country and affected society's psychological climate adversely. And that is why the problem of the country's financial health, under current conditions, is acquiring exceptionally important political significance.

And first of all, one must carefully investigate the whole totality of factors, objective and subjective, that govern the budget deficit.

The subjective factors have already been mentioned: insufficient economic training of many economic supervisors, who have been accustomed to assessing their work in tons or number of items, but not at all in rubles. For up to now, despite all the declarations and appeals, we are unable to support a zealous, economical mode of work! Our nonproductive expenditures and losses exceed 24 billion rubles annually....

And now for the objective factors.

Primarily, income was lost because of the sharp drop in world prices for oil. And this was expressed in the current five-year plan by the round sum of 40 billion rubles. The turnover tax was reduced by more than 36 billion rubles because of a reduction in sales of wine and vodka items. Eight billion rubles were spent on eliminating the consequences of the accident at Chernobyl. Additional funds—18 billion rubles above the rough draft of the five-year plan—were invested in the social sphere: in public health, education and the construction of housing. And what colossal sums will be needed for extending assistance to the regions of Armenia suffering....

So what are the main sources for augmenting the state treasury? Maximum reduction of state expenditures. A reinforcement of the drive for savings and financial

control. Substantial improvement of consumer goods and of the amount of services. And, finally, progressive forms and methods of management aimed at achieving high final results.

It stands to reason that we cannot solve all these problems just by orders and directives "from above." A deep psychological restructuring at all levels, in all elements of the national economy, and in each working collective is needed. The prevailing situation assumes a decisive eradication of every sort of parasitical attitude.

These are the general and basic precepts of the commission. How will they be turned into something specific?

The system of planned measures has been divided into two stages. The first and most urgent are to be implemented now and in the future. During the next five-year plan more fundamental problems of the economy's health should be solved.

Just what is to be done, practically?

First priority is to refine the construction program. For it is precisely in this area that an especially tangible leakage of funds and material resources is occurring.

Here are some facts. In 1986 the total volume of uncompleted construction was 132.5 billion rubles—9.1 billion of it above the standard. In 1987 the figures were, respectively, 138.5 and 8.3 billion rubles. And in 1988—they were 150.5 and 13.3 billion!

The commission proposed first of all to reduce the list of construction projects started in 1989-1990 by excluding jobs not provided with design and budget-estimating papers and capital investment in accordance with the norms for the duration of construction. Including some jobs that were called for by long-term programs for the development of various regions and national-economic complexes. The amount of capital investment on land-reclamation operations not connected with maintaining existing systems in working condition also was cut.

There is a definite logic in the fact that the commission paid such tireless attention to capital construction. For the measures contemplated in this sphere are capable of providing for a rapid and meaningful benefit. Erection of the most important facilities will be speeded up. The amount of uncompleted work that has been started will be reduced. But the main thing would be to succeed this year in reducing state expenditures for capital construction by 6-7 billion rubles. As we see, reduction of the budgetary deficit is a weighty matter.

And, moreover, it is proposed to make the material resources thus freed available primarily for sale to the public. Stress on the consumers' market will thereby be reduced somewhat, and this will promote also the solution of another problem—the stabilization of monetary turnover.

But still more decisive measures are envisioned for 1990 and ensuing years. The enterprises themselves primarily will determine the capital construction program, using resources of the funds for developing production, science and technology, and social development that they have at their disposal. This will enable the amount of state centralized investment to be reduced by a maximum. And, consequently, the budgetary expenditures for such purposes. Still another important step is to be taken in the future in this sphere: the conversion from the free granting of budgetary resources for capital construction to the credit method of providing for such expenditures.

The second major group of measures that the commission proposed relates to a sharp expansion in consumer-goods output. Both foodstuffs and industrial goods. Two problems of financial health will be solved at once here: the budget's heading of "income" will be augmented by the turnover tax from the additional turnover, and monetary turnover will be gradually stabilized by the output of a corresponding volume of commodities. The amount of retail commodity turnover for this year has been set at a total of 393 billion rubles.

I recall that last year it was 366.2 billion rubles, having been increased in comparison with the preceding year by 25 billion. However, the unsatisfied public demand for commodities and services also is expressed by the colossal sum of 70 billion rubles. There is no occasion to speak of a normal monetary turnover of any kind while demand and offerings in the consumers' market have not been balanced. Consequently, we cannot arrange even such a high rate of growth of commodity turnover as 25-27 billion rubles per year! In the future a steeper spurt will be necessary.

The situation is complicated by still another fundamental circumstance which has come into clear opposition to all economic laws. Growth of wages, as has already been noted, has begun to outstrip sharply both the increase in commodity output and increase in labor productivity.

Of course, no one will call for wage leveling, no one has planned to restrict the volume of earnings. But another thing is obvious: the economically justified relationship between growth in productivity and wages should be observed unfailingly. Banks are charged with monitoring this—quarterly beginning this year.

But still the main thing, the most important thing is to increase in every possible way the output of commodities and offering of services. What can we count on here?

Great hopes are being placed on a realignment of some defense-industry capacity. The experience of other branches testifies to the benefit that this can yield. For example, our newspaper told about the state's decision to organize the output of cars of the special small Oka class

at Yelabuga and realignment of production of the tractor plant that is under construction there. Already in 1991 the populace will get 300,000 vehicles from the enterprise's assembly lines.

It is proposed that, in general, special attention be paid to the output of durable goods. For example, the difficulties that the public is experiencing right now in acquiring materials for the construction of individual homes and garden cottages is well known. Already this year, market inventories for local materials and building materials will be sharply increased.

One cannot help but note that the regrouping of financial investments in group B not only will reduce stress on the consumer market but also strengthen the budget considerably. For the pace of capital turnover in group B is 3-fold to 4-fold the average for the national economy.

The commission also studied thoroughly the state of affairs in the agroindustrial complex. The primary measures here are aimed at reducing outlays and eliminating losses and nonproductive expenditures.

Expenditures from centralized sources for the purchase abroad of production-equipment output also will be reduced. And the foreign exchange thus freed will be used for additional importation of consumer goods. The enterprises themselves will be able to use a portion (up to 30 percent) of their foreign-exchange funds this way. It stands to reason that in this case the purchased commodities will be put up for sale within their labor collectives.

The third group of measures is aimed at a considerable reduction in the reserves of physical assets. These reserves now comprise about 470 billion rubles: more than half of the gross national product. They are distributed by leading branches of the economy as follows: industry 164 billion rubles (35 percent), agriculture 122 billion rubles (26 percent), including feed and animals that are being fattened 78 billion rubles, and trade (for sale to the public) 87 billion rubles (19 percent).

Some specialists assert that such reserves are necessary for the normal production process, since they do not exceed the established norm (475 billion rubles). But, first, they are distributed extremely nonuniformly, and at many enterprises physical assets that are clearly excessive have been accumulated. And, second, has the time not come to reexamine the standards themselves? To hold half of the gross national product in reserve—is that not too wasteful? And so, on 1 April 1989, it is proposed to take into the budget a payment of up to 15 percent above-standard reserves of commodities and physical assets.

Aside from involving reserves in production in every possible way, there is still another method for using them: sales to cooperatives and the public. Both in the one case and the other, the state-budget deficit can be reduced sharply....

We have already spoken about the problem of unprofitable enterprises. Alas, their number is being reduced but slowly. In essence, such collectives live at someone else's expense, they are not capable of sustaining themselves. The state loses 10-11 billion rubles annually on this account. And already this year a 30-percent reduction in subsidies to losing enterprises is called for. While in 1990 a special list of losing enterprises that are being financed will be established.

And, finally, the fourth—in sequence but not in importance!—a group of measures calls for further improvement of the economic mechanism. It is precisely the economic levers that are called upon to strengthen, intensify and eventually to provide completely for realization of all the programs for the country's financial health. In essence, the question is that of coordinating the interests of the state, the collective and individual workers still more closely. In the financial sphere too.

We shall not forget: nowadays enterprises have at their disposal enormous in-house funds—for the development of production, science and engineering, and social development: more than 200 billion rubles. And the effectiveness of industry and interindustry monetary circulation and the sizes of deductions into the state budget will depend on how these funds are used. There are also enterprises that have temporarily free funds. Of course, these also should work and bring output. The practice of the mutual granting of credits among enterprises and the issuance of shares which are intended both for their own workers and for free sale are to be developed.

The facts have convincingly confirmed the advantages of a system for self-financing and economic accountability. For example, last year, expenditures per ruble of output at enterprises that had transferred to such a system were reduced at a more rapid rate than for industry as a whole, the effectiveness of utilization of labor and material resources was raised, and profit grew at an outstripping pace.

But, at the same time, deficiencies of the new economic mechanism were clearly revealed. For example, some collectives, using their monopolistic position, achieved high profit not by reducing production outlays but by inflating wholesale prices. The output of expensive, "advantageous" output was expanded. The inexpensive assortment was washed away.

As is known, the USSR Council of Ministers not so long ago adopted the decree, "Measures for Eliminating Deficiencies in Prevailing Price-Setting Practice." The CPSU Central Committee Politburo's commission emphasized once more that unjustified profit of enterprises will be strictly restricted.

It was recommended that, in every possible way, rental relationships be developed, the use of model No 2 for economic accountability (last year only about a thousand industrial enterprises operated on these principles) be

expanded, and a closer relationship be provided between the amounts of funds for economic incentives and the effectiveness of their work.

Already the list itself of contemplated measures indicates that they are of an integrated, comprehensive nature. On the one hand, emphasis was placed on reducing state expenditures in every possible way. For example, it was proposed to reduce expenditures on defense and on upkeep of the administrative staff. On the other hand, the state budget's income is growing, mainly through an increase in deductions from profit and the turnover tax.

And here I would like to emphasize once more: the fate of monetary turnover and the health of the economy depend upon how these measures are executed at the center and locally. On how people perceive them: in the laboring collectives and at each work place.

The measures contemplated are extraordinary. Realizing them will require time and great effort. There are no doubts that they will be realized. But experience indicates that difficult problems should be solved together, with the active participation of each Soviet citizen, and at each workplace.

Solve them together!

The formula "to live within one's means" has a double charge. First, the funds must be put to work. Second, they must be expended rationally and zealously. And can finances hereafter be a closed area, something remote and abstract, for millions of people? Of course not! One should not hereafter perceive finances as a sack of money that is distributed by someone "at the top" ("there is money," "there is no money"). Finances are a resource just like all other resources. If we formed this resource at enterprises and at workplaces, then we can spend it. If there is none, then there is none to spend.

The country's financial health is right now emerging as a primary state problem, in the solution of which everyone has a place.

#### **First Deputy Finance Minister On Ways To Reduce Deficit**

18200194 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 5, Jan 89 pp 5, 15

[Article by First Deputy Finance Minister V.G. Panskov: "How Can We Eliminate The Budget Deficit"; first paragraph is introduction]

[Text] In accordance with the 1989 Plan, our budgetary outlays will be 35 billion rubles higher than our budgetary income. In other words, our key financial plan will start with a shortfall. What does the budget deficit mean for the country, and what has caused it in the first place? Can we eliminate the deficit, and, if so, how? These questions are the topic of this article by USSR First Deputy Finance Minister V.G. Panskov.



The state budget deficit is a socio-economic phenomenon caused by long-term negative economic trends. It is more than just a shortage of money in the country's central coffers. Currently, the budget deficit is one of the most critical problems affecting our country's economic growth. It is evident in our mounting inflation and empty store shelves. Nor does it affect consumer goods alone. There are also shortages of materials and equipment for producers and providers of social and other services.

Eliminating the budget deficit will be a difficult and often painful process. And we will not be able to simply clean house and have done with it. Plans will be rejected, decisions will be put off, and, clearly, some people will have to waive their own interests for the sake of the ultimate objective.

Of course, the key to a balanced budget is a balanced economy. And this, in turn, involves utilizing long-term economic growth factors, upgrading the economic structure and investment policy, and normalizing the goods and services marketplace. The country's dramatic economic reform and the new economic apparatus are both aimed at meeting these ends. But simply sitting and waiting for the reforms to bear fruit does not represent a wise use of our time. Instead, we need to find new ways to cut waste and reduce low-priority government spending. We need to institute a rigorous program of saving throughout the economy. Every one of us needs to realize that we are not going to be able to solve years of problems overnight.

### 300,000 Construction Projects

Most spending is focussed on capital construction. To a great extent, it is investment here that determines the economy's financial and economic health. Yet there have been no changes in this area. Capital funds are scattered among numerous construction projects, plants fail to go on stream as scheduled, and money stagnates in uncompleted buildings—all factors contributing to economic imbalances and the budget deficit. As a result, return on investment is low, and the country's revenue base shrinks.

From 1986-88, the amount of plant put on stream fell 40 billion rubles short of the targets in the Plan. This means there will be more uncompleted construction projects and lower yield on capital inputs.

Contractors have spread their resources too thin, with the result that construction deadlines are losing significant amounts of ground. But at the same time, more than 300,000 industrial sites have been included in the Plan and are under construction. This means there are 12 construction personnel for each site. At this rate, it will take us four years just to finish the construction we have already started.

But the volumes of capital spending are continuing to grow. Appropriations for the last three years have been 19 billion rubles over the level prescribed for the five year period.

As will become evident below, the construction industry has not yet stopped its squandering of funds.

In 1984-84, the GDR delivered 4.1 million rubles worth of painting lines to the Dnepropetrovskiy Electric Locomotive Plant, which belongs to the USSR Ministry of the Electrical Equipment Industry. But the construction of the buildings that were supposed to house the lines had not even begun yet, and the equipment sat outside and was ruined.

In 1978, the USSR Ministry of Machine Building delivered a 2.2 million-ruble foundry line to Kuzbasselektromotor, a cast iron manufacturing association on which construction had been halted. Similar situations have also occurred at an electric vehicle equipment plant (in the city of Shakhta, Rostovskaya oblast), at the NEVZ [Novocherkasskiy Electric Locomotive Plant] Manufacturing Association, and at the Tatelektromash Manufacturing Plant in Naberezhnyye Chelny. With a total value over 12.8 million rubles, the equipment is already obsolete and worn out, and the ministry is deciding whether to write it off.

The Khorskiy Biochemical Plant, which belongs to the Dalvostokgidrolizprom Manufacturing Association (under the USSR Ministry of the Medical and Microbiological Industry), has been under construction for 17 years. Yet at the beginning of 1988, construction was only 81.8 percent complete. Over the years, a total of six million rubles worth of equipment has been delivered.

And what else is it but squandering hard currency when the USSR Ministry of the Petroleum Industry's Neftemash Plant imeni Petrov, which is in Volgograd, spends ten years putting in a 2.4 million ruble travelling bridge crane purchased from the Finns. Or when the Armaturniy Zavod [reinforcing steel plant] Manufacturing Association (it belongs to the same ministry) in Semenov does the same with a 2.3 million-ruble secure molding line bought in Denmark.

The above illustrations make it clear how badly we need to overhaul the investment management system. It is time to stop relying so heavily on state financing and begin making more extensive use of bank loans in construction, as well as to employ more rigid sanctions when construction deadlines are not met.

In addition, the current system used to plan capital investment needs to be overhauled. In my opinion, centrally controlled investment limits need to be preserved only for large-scale projects of national importance. Otherwise capital investment can be planned by the ministries, departments, and enterprises themselves, with banks providing the money on a competitive basis.

## Losses

Eliminating unprofitable activity is becoming a priority task. Every year, the state pays over 11 billion rubles to cover the losses of unprofitable enterprises. Losses are not consonant with economic perestroika; they culminate in parasitism and levelling.

There is currently no shortage of effective plans for eliminating unprofitable activity. The Atomash Manufacturing Association, which belongs to the USSR Ministry of Heavy, Power, and Transport Machine Building, has drafted a special program enabling it to cut losses by 31.5 million rubles in two years. In the first 11 months of 1988, a savings of 5.4 million rubles was realized.

The Tadzhikskiy Aluminum Plant is also working hard to eliminate unprofitable activity. In 1987, it was reported that the plant incurred losses of 13 million rubles. But in the first 11 months of 1988, profit totalled over 12 million rubles.

At the Azot Manufacturing Association (in Rustav), which belongs to the Ministry of Mineral Fertilizer Production, 1988 was marked by profitable operations, a change from 1987, when the ministry was forced to provide 40 million rubles to cover losses and expenses.

Nonetheless, at many enterprises the prospects for profitable operations are still far in the distance. Often the severity of losses is underestimated, particularly in industries specializing in an area outside that of the ministry in charge of them.

As an example, we can look at the Kamskiy Wood Processing Complex, which is part of the USSR Ministry of Energy community, and which has been losing money since going on stream in 1977. Annually, the Complex loses 60 kopecks per ruble of output. The problem is that capacities are underloaded—only about 50 percent are used. Additionally, the amount of wood that can be processed is low, with losses high.

Given this situation, it seems very strange that the USSR Minavtoselkhoz mash [Ministry of Agricultural Machinery] is planning a new plant with an output capacity of 160,000 square meters of cabinetry per year. This is an example of how breakdowns in communication keep economic attitudes from being adopted.

Another project which has been unprofitable since going on stream is the Meleuzovskiy Forest Products Complex, which belongs to the USSR Ministry of the Timber Industry. Twenty two percent of the manufacturing cost of the packing boxes they produce represents a loss, even though the plans called for the Complex to be profitable. But the outcome should be no surprise. Instead of using low-grade sawdust and industrial lumber as their main inputs, the Complex uses plywood and barrel logs, which

are in short supply in other areas. Because of this, the Complex has lost 22 million rubles in the time it has been in operation, instead of making 15 million rubles.

Frequently, industrial ministries make decisions but fail to adequately address their economic impact on the financial situation. At the Volzhskiy Pipe Plant, which belongs to the USSR Ministry of Ferrous Metallurgy, lack of coordination between the deadlines for construction of an extruded pipe shop and the scheduled delivery of imported equipment left the equipment sitting idle on the site for three years. Because the terms for putting the shop on stream were violated, it still has not begun operating.

Taken together, the losses from never-operated equipment amounted to at least 70 million rubles in 1989.

These examples of wasteful, irresponsible conduct on the part of persons entrusted with large amounts of state money are all too frequent.

The Dzhizakskiy Battery Plant, which belongs to the USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry], has been losing money for several years, while in the last two it has used only 14-26 percent of its capacities in certain production areas. In 1987, losses exceeded the target in the Plan by 4.4 million rubles; in the first nine months of 1988, this figure was 1.3 million rubles.

We urgently need to cut government spending on the agro-industrial complex, particularly in the area of agriculture. Major losses and unproductive spending have not been curbed, and in fact are continuing to mount. Currently, they total 20 billion rubles per year.

Every year, more than 500 million rubles are appropriated for livestock disease control. In the last 17 years, the number of livestock specialists has grown by a factor of 1.2, yet kolkhoz and sovkhoz cattle losses due to cattle plague increased by a factor of 2.5 over the same period.

We need economically compelling measures to force kolkhozes and sovkhozes to cut losses and unproductive spending.

Every year, a considerable amount of food is lost during shipment. In 1986, losses due to shipped cargo pilferage, shortchanged loads, spoilage, and damage totalled 904 million rubles; in 1987 they were 544 million rubles. More than 80 percent of all losses due to pilferage, shortchanged loads, spoilage, and damage occur during shipment by train. In the first two years of the current Five-Year Plan, these losses totalled 1.3 billion rubles. From January to September of 1988, railroad enterprises incurred losses of 25.8 million rubles due to their failure to safeguard cargos.

Every year, there are major merchandise losses due to cargo shortchanging, pilferage, and damage during shipment and storage at the enterprises and associations of other industries. The machine building industry, for example, sustains losses of almost 50 million rubles per year because of stolen, damaged, or short-counted merchandise.

For example, at Leningrad's Elektronmash Manufacturing Association, which belongs to the USSR Ministry of Instrument Making, Automation Equipment, and Control Systems, an inspection uncovered major violations of the rules governing storage of equipment—in this case 199,000 rubles worth of components. Management took no steps to eliminate the problem. During a subsequent inspection of the association's key plant in 1988, 207,200 rubles worth of components were found stored outdoors and outside the plant's grounds. The components were no longer usable.

#### **We Must Learn To Live Within Our Means!**

Over the last three years, more than 18 billion rubles over the Five-Year Plan target level has been appropriated for expanding social and cultural programs. This is the source of many problems. Years of hewing to the obsolete practice of funding the social and cultural establishment have made it impossible to meet the growing needs of society.

A question we must ask ourselves is whether all problems, including the social ones, can be solved in one fell swoop. Ultimately, we have to realize that we simply do not have enough money to do so. We have to learn to live within our means. In my view, there are problems which, while important, are not critical. And there is no good reason to increase honorariums, institute additional tax benefits, or allocate new resources to deal with them. If we look at copyrights, for example, we see that an increase in the rates for publishing a work, performing it in public, or otherwise exploiting a work of literature or art would entail annual costs of 60 million rubles. And there are many more similar examples.

Despite the difficulty, spending for social purposes can be cut too. One third of all government spending is used to fund social and cultural programs. This fraction is expected to grow in the future. For this reason, we need to find more efficient ways to use money. We know these ways can be found.

To illustrate, government spending on free uniforms for Agricultural Vocational School students totals more than 160 million rubles per year, even though the students generally do not wear them. Moreover, the uniforms supplied to the schools are often the wrong sizes, with the result that they stay shelved until they are written off.

Clearly it would make more sense to compensate students for some of the cost of their uniforms. This would have the dual effect of cutting government spending and freeing manufacturing capacities to produce goods that people really need.

The cause of social justice would also be served if the state made able-bodied adult children pay the old-age or nursing home fees for their parents.

Clearly, we are in need of a detailed inventory of all spending for social purposes. Such an inventory would help us make sound decisions about what priorities to appropriate money for, as well as eliminate inefficient uses of our money. Budgetary organizations need to begin using *khozraschet* principles sooner. At the same time, their relations with the government need to be placed on a contractual basis and their authority should be expanded. This will culminate in fewer official inquiries about spending increases.

#### **Can The Management Apparatus Be Cut Back?**

Cutting the support given to the management apparatus represents another way to reduce the budget deficit. Steps in this direction have already been taken. There are almost 100 new plans covering the reorganization of management, new organizational structures for USSR ministries and departments, and new arrangements of the apparatus running agriculture on the union republic level. Nearly 600,000 managers have been made available for other jobs, while the money that has been freed up—over one billion rubles—has been used to boost operations at understaffed facilities, as well as to partially cover the budget deficit (over 450 million rubles.)

Nonetheless, the effort to cut the management apparatus is often mere formality. Instead of creating a two-tiered management system, the industrial central directorates (*glavk*) of certain ministries are building scientific production, state, and other associations with separate management organizations. These organizations are then given the same duties as the management organs that were eliminated.

For example, plans call for having at least 75 percent of all geological exploration done by enterprises, associations, and organizations utilizing the two-tiered management system. On paper, the USSR Ministry of Geology complied with this requirement. Let us use the *Kvartssamotsvety* Scientific Production Association in Moscow as an illustration of how. The Association, which has a separate management apparatus, was modeled along the lines of the enterprises and associations of the defunct *Soyuzkvartssamotsvety* VPO (not further identified). This supposedly trimmed some of the management fat. But what actually happened was this. The new association only ran a specialized industrial complex, while most of its work was done by the independent, constituent production associations. As is obvious, no fat was trimmed. Because the changes to the USSR Ministry of



Geology's management structure were largely formalities, only 52 percent of its enterprises are actually using the two-tiered management system.

The USSR Ministry of Heavy Machinery Construction also treated employment of the two-tiered management system as a formality. And for some enterprises, the two tiers have been replaced by four: enterprise, production association, state production association, and ministry.

Obviously we must not succumb to the illusion that trimming the management apparatus will immediately end or at least dramatically reduce the budget deficit. After all, the 40 billion rubles spent annually on management does not come from state coffers, but from enterprises and associations supporting their own management apparatus.

Enterprises also provide the bulk of the monetary support for the management apparatuses of most ministries and departments. The state spends less than three billion rubles per year for management—a sum which includes salaries, travel expenses, equipment, and other expenses. Yet the country will stop functioning without state management organs, prosecutors, courts, or the people's control system.

So, while admitting that an austerity program is certainly in order, we need to keep in mind that most management costs are borne by enterprises and organizations. Enterprises themselves set their own personnel staffing levels and the cost thereof. We must recognize that in this case, the new economic mechanism is not working at par. Instead of optimizing staff levels, enterprises are raising them. According to the USSR State Statistical Agency, staffing at industrial enterprises rose by more than 200,000 individuals between 1985 and 1987.

### Taxes

Over the last Five-Year Plan, a lot has been done to strengthen the finances of enterprises, which are the key element of the fiscal-credit system. As enterprises started utilizing full *khozraschet* and the self-financing system, they recovered money that had previously been taken from them to balance the budget. For 1989, the amount taken would have been over 11 billion rubles. At the same time, large amounts of additional support poured into certain industries—over 13 billion rubles per year. The state's financial resources were thus diminished by this amount. I feel the decisions to proceed in this way were not always grounded in strict necessity.

Also questionable is the need to provide enterprises with an incentive to meet the *Goszakaz* quotas. Starting in 1989, this incentive will be a 10 percent increase in the amount of profit enterprises are entitled to keep, although the sum put in state coffers will decline by the same amount. Enterprises and associations have been assigned different benefits that affect the amount of profit they surrender. And while they realized almost

nine billion rubles over the profit level targeted in the Plan for the first nine months of 1988, the amount they provided to the state remained virtually unchanged. This clogged the monetary circulation channels, since the bulk of the additional money was put into incentive funds. It is thus obvious why these funds had 60 billion rubles in additional disposable resources—a sum representing more than one third of the annual total.

It follows that we are going to have to create a system which will provide enterprises with the incentive to increase savings, yet serve the interests of the state as well. The best way to accomplish this is to tax profit at uniform industry-wide rates.

There is essentially no uniform system for taxing cooperatives. We know that consumer cooperatives pay 35 percent of their profits in taxes, while *kolkhozes* are taxed in accordance with their production capacity (that is, about four percent of net income.) And goods and services cooperatives pay between three and ten percent of their taxable income in taxes. Last year, these cooperatives gave the state about 40 million rubles, or less than one percent of their total profit.

It is high time we made these tax rates uniform. I feel we need to reexamine the preferential tax rates given to goods and services cooperatives and bring them in line with the rates at which state enterprises and organizations are taxed. I also feel the authority to set tax rates should be given to the local councils of people's deputies, since they are more aware of what the cooperatives and people need, and are thus in a better position to determine exactly where financial benefits will serve as an incentive.

The budget planning mechanism needs to be overhauled. The current method of drafting the budget fails to focus ministries, departments, enterprises, institutions, and councils of people's deputies on the job of increasing revenues and decreasing spending. Unfortunately, there is still considerable pressure on the central organs to appropriate additional funding. Ministries, enterprises, and union republic-level councils of ministers all appeal to the USSR government, the Ministry of Finance, and the Gosplan. In 1988 alone, a total of 10 billion rubles in additional funding was requested. It is because of these relentless requests that officials make decisions to overspend the budget.

It is obvious that financial measures alone will not cure the budget deficit. There is no doubt that a special program of fiscal and monetary measures will help the country's finances. But finances only mirror the overall state of the economy. It is here that corrective action has to be taken and performance improved.

**Gosbank Monopoly of Bank System Lamented**  
*18200251 Moscow SELSKAYA ZHIZN in Russian*  
7 Mar 89 p 2

[Article by N. Golysheva, deputy chief of the oblast Agroprombank administration, and Yu. Veshkin, deputy chief of the oblast Zhilsotsbank administration (Kalinin): "Destroy the Monopoly"]

[Text] A multitude of various viewpoints about the work of banks are now being expressed in the press and there is a new interpretation of their role in perestroika. Both the results of the radical transformations in rural areas and the fate of our entire perestroika depend directly on how actively we conduct the credit and monetary policy. There is no doubt that the previous banking system is no longer viable under modern conditions and the new banking system is not free of shortcomings, which are more and more in evidence. What is this related to?

Above all, apparently, to the fact that preparation for the reform of the banking system was hasty, there was absolutely no openness, and no attention was paid to the opinion either of banking specialists or of interested services of enterprises, organizations, and branches of the national economy. Therefore it is no wonder that at first working in the new way brought many complaints against the banks. We accept all this.

But one cannot agree with the opinions of authors who assert that these negative aspects were caused by the existence of specialized banks and their desire for separation.

Up to this point all banks have been working on instructions from the USSR Gosbank, which has basically "tightened its belt" but has not forfeited its directive and regulatory staff. The banks have practically no economic interest in the results of their activity. The functions of each bank and their economic interrelations have not been clearly defined.

Up to the present time there are no regulations for specialized banks, and the hastily adopted regulations of the USSR Gosbank through their directive nature cause nothing but confusion.

Facts cited in numerous articles regarding the banks' delay of accounts require public explanations. The blame for these delays in the accounts of enterprises lies fully with the Gosbank and not the specialized banks. The fact is that the addresses and codes for the new banks (the so-called MFO references) came too late—not until 30 December 1987—and in only one copy for each specialized bank administration. Moreover, these copies of the document were so poorly printed that it was impossible to read them.

Specialized bank divisions directly responsible for accounts did not have them by the time they began their activity under the new system. And the payment documents had gone through the old channels while the money of the enterprises traveled throughout the Union in search of recipients. The programs for processing information on the Gosbank computers were written with gross errors and were finished in January or February of last year.

Here the Gosbank played the role of an observer while the specialized banks took the blame for its mistakes. Moreover, a number of the Gosbank's computer centers (Gorkiy, Voronezh, Tbilisi, and in other cities) have not been able to rectify the situation up to the present day, as a result of which the delays in the accounts continue.

Delays in issuing wages to enterprises and organizations have even less to do with the specialized banks. Only the Gosbank can give permission to put money into circulation. Similar problems arose both in 1986 and 1987 and they had nothing to do with the way the banks were categorized. There were difficulties in the country's monetary circulation even before the banking reform and they remain today. The reason for this is the chronic shortage of goods and services for the population, and the Gosbank is well aware of this.

The Gosbank's desire to take charge of all banks again makes the banking system uncontrollable. The control that the Gosbank wants so much and even today is trying to exercise leads to a situation where bank workers prefer to do nothing since this way there is less of a chance that they will do anything for which they can be punished. In countries with developed banking systems there have long been inspection firms (so-called auditors) that conduct inspections for payment on invitation from the corresponding banks, companies, and firms. Any Soviet banker is interested in having order in his affairs. The regular "nondepartmental superstructure" in the form of a unified control and supervisory service of the Gosbank is nothing other than the previous position of suspicion and mistrust.

Unfortunately, the Gosbank no longer performs the functions of the country's central bank. These functions differ sharply from the functions of the specialized banks and are not associated and should not be associated with the direct service for the enterprises and organizations. Today the Gosbank apparently does not have a clear idea of what these are. How else can one explain its intention to create under the oblast Gosbank administrations "operations administrations" for serving five or six organizations of three ministries which could be served by any bookkeeper of any specialized bank, and this would merely be a part of its daily work?

Hence also the appeals of the Gosbank workers for more centralization of the banking system and the desire to control anything and everything. Hence also the previous administrative-command methods of operation.

We know that work is now underway for preparing a draft of the state USSR Law on Banks. Through the channels of the USSR State Bank they have even organized a discussion of this draft through the oblast ispolkoms of soviets of people's deputies. The ispolkoms' proposals are being prepared by the oblast Gosbank administrations. And the opinions of the specialized banks are not taken into account.

We think that there must be an open and democratic discussion of the draft through the press in order to take advantage of the possibilities of gathering information and taking various opinions into account—not just those of the bankers—including the opinions of a broad range of businessmen. Here the law should determine the status of each bank, the economic and legal foundations for their activity, economically substantiated interrelations among them and between them and the client, and the khozraschet independence of each bank. In a state rule by law it is not permissible under the guise of some law to envision the possibility of publishing a departmental normative act.

In the existing draft of the law, the USSR State Bank as the country's central bank is assigned the role of publishing normative acts and checking on their observance. Without envisioning any economic responsibility the USSR Gosbank plans to control monetary circulation, but in practice this will be done by the specialized banks. They will be assigned resources by the Gosbank. This can lead to nothing but violations of khozraschet principles for the activity of the banks. A triumph of administrative methods is again being planned.

Giving the Gosbank the right to dispose of the credit resources of the specialized banks can lead to an outbreak of subjectivism, and the role of the specialized banks in the credit policy will be reduced to nil.

We are among the active proponents of the development of a network of khozraschet banks of all kinds. And certainly not from our armchairs. It is impossible to embrace the unembraceable; it is impossible to intelligently solve problems in a multitude of quite unrelated areas of the economy. The concentration of bank forces in individual branches makes it possible even today to work more closely with the enterprises and with greater involvement. There are also certain changes for the better. First of all one can see a reduction of the volumes of credit investments. During a year in the Kalinin administration of the Zhilsotsbank they decreased by 18 percent and in the Agroprombank administration—by 8 percent.

A reduction of the volumes of credit investments under the conditions of khozraschet makes it necessary to search for new forms of work with the business under mutually advantageous conditions and provides motivation to reduce the numbers of bank workers. And not in keeping with administrative instructions from above.

but the need for normal dictates the necessity of streamlining. So there can be no mention of increasing the management apparatus. And the solution to problems of the "lower level" in the direction of their accountability to four administrations is achieved through expansion of the network of specialized banks in the rayons: divisions, branches, and representatives.

Then there will be no more problems of "priority" in serving economic agencies in the rayon bank division, which bothers a number of authors so much.

Possibly, from the standpoint of the Gosbank the proposed schema is not convenient enough: it does not have its finger on every button. But from the standpoint of the needs of the economy it is simply necessary. And the opening of new divisions and branches under the conditions of khozraschet should be limited to those that are economically expedient and whose self-recoupment can be demonstrated by elementary calculations, and should not be dictated by the subjective desire of the Gosbank.

And the last thing. It is necessary to have a scientifically substantiated concept of bank development. Today we do not have one. But we do not have the right to simply wait until it appears just as we do not have the right to jump from one extreme to the other. We must work and generalize practical experience. And ambitions with respect to the question of "who is more important" are clearly inappropriate in such a serious matter.

#### **New Bank To Finance Volga Auto Enterprises, Encourage Innovation**

18200188 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 5 Feb 89 p 2

[Interview with Petr Abramovich Nakhmanovich, chairman of the AvtoVAZ Bank management board, by A. Sorochan, SOTSIALISTICHESKAYA INDUSTRIYA free-lance correspondent; date and place not given; first paragraph is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] The AvtoVAZ Bank has been established in Togliatti. Our free-lance correspondent has met with P. Nakhmanovich, chairman of its management board.

[Sorochan] Petr Abramovich, judging from its name, the new bank was established in the AvtoVAZ Association and will be subordinate to it?

[Nakhmanovich] That is not quite right. Our bank is a completely new formation in socialist management practices.

It is an industrial commercial bank. It has received complete legal independence. It has no administrative subordination to AvtoVAZ or any other existing bank. We are sole: guided by the decisions of a stockholders' general meeting. The AvtoVAZ Production Association is only the initiator and one of the bank's founding



stockholders. The USSR Industrial Construction Bank, the USSR Foreign Economic Bank and the Russian Savings Bank are also founders and stockholders of the bank. The economic reforms gave birth to the new bank. Until recently, Moscow solved all the enterprise's important financial problems. Today, when enterprises have been given economic independence, it is necessary to establish an appropriate financial and credit mechanism system.

[Sorochan] What tasks have been assigned to the AvtoVAZ Bank?

[Nakhmanovich] The main task is to contribute in every way possible to expanding the Volga Association's production of passenger cars by accumulating and actively using temporarily free assets of enterprises, organizations and citizens. It is clear that we are vitally interested in having new and competitive automobiles come off the enterprise's production line. We will finance both the development of designs and the technical re-equipping of plants in the association and its cooperating partners.

[Sorochan] Tell us about the other operations of the bank.

[Nakhmanovich] We will finance innovation operations, that is, risky operations. What do we have in mind? The AvtoVAZ Association and other enterprises in Kuybyshev Oblast possess enormous creative potential. This potential is still being used poorly. Our bank has been called upon to become the catalyst for progressive ideas and work. Let us assume that an innovator or creative collective has come up with a new design, for example, for an automobile. Where can he go? Who will evaluate his work? Who will undertake to introduce the innovation?

Our bank will accept any interesting idea for study and examination. A powerful combined department, which will study supply and demand and organize a commission of experts, involving prominent scientists, industrial engineers, and designers, is being established for this purpose. The bank will search out interested producers of new products in our country and abroad or build new production facilities. Of course, financial support is primarily provided to those proposals which promise a profit. However, it will be profitable for the bank, the designer and society in general.

[Sorochan] What capital does the bank have at its disposal?

[Nakhmanovich] The bank's regulation and reserve fund is 75 million rubles. Each of the main founders is paying in 18 million. According to our estimates, this sum will correspond to the requirements for credit resources during the immediate future. In accordance with a decision by the founders, the regulation fund can subsequently be replenished both by fees and by received profit. In addition, we will try to transfer the wages of

VAZ workers through the bank in order to attract credit resources. The money in the population's accounts can be used as a credit resource of the bank and it can be directed primarily to the solving of social questions. We will put shares and other valuable papers into circulation. We will resort to this if assets for the carrying out of some effective measure are needed immediately. Those who invest their money in such a project, will receive their share of the profit.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Chemical Industry Official Assesses 1988 Progress

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[Article by I.S. Mazayev, first deputy chief of the Main Economic Administration of USSR Minkhimprom, and V.N. Chursina, chief of the sector for finance and credit of NIITEKhim, candidate of economic sciences: "Enterprise Finance Under the New Economic Conditions"]

[Text] Enterprises in USSR Minkhimprom [Ministry of the Chemical Industry] have been operating under the conditions of full cost accounting (khozraschet) and self-financing since 1 January 1988. The very important measures that had to be taken in 1988 included the transition to the two-tier system of management, the introduction of the new wage and salary schedules, the institution of state product acceptance at most enterprises in the branch, expansion of the rights of enterprises in foreign economic activity, and the transition of sector science to cost accounting. Experience has shown that many forms of cost accounting provide a linkage between the interests of the individual operative in every section of operation with the interests of the entire collective.

An analysis of the indicators of the performance of enterprises in the first 9 months of 1988, study of the results of a worker poll, and on-the-spot inspection allow us to draw the conclusion that constructive changes have taken place in the operation of enterprises under the new economic conditions. Over that period, the plan for production of marketed output was fulfilled at a level of 101.7 percent, and the growth rate of production relative to the corresponding period of last year was 103.6 percent. The profit plan was overfulfilled by 13.6 percent, and the growth rate of profit by 120 percent. The plan for commodity sales adjusted for delivery obligations fell 2.2 percent short of fulfillment, but the percentage of underfulfillment was substantially reduced to the corresponding period of 1987 (when it was 7.2 percent).

Although the plan for production of the total volume of commodity output was overfulfilled, contractual obligations could not be fully performed. This situation is typical of a majority of industrial enterprises and has

mainly been brought about by deficiencies in the material and technical supply and tardy activation of production capacities through the fault of construction contractors (Minsevozstroy, Minyugstroy, KaSSR Ministroy, etc.). But some of the fault here must also be borne by work collectives of the enterprises in our ministry, who were more interested in overfulfilling the plan for the total volume of sales in order to guarantee fulfillment and overfulfillment of profit plans than in fulfilling assignments for deliveries. The reason for this is that all economic incentive funds, centralized funds and reserves of the ministry and payments to financial and banking entities are built up from transfers from profit. Incentives for 100-percent fulfillment of delivery plans and penalties for underfulfillment of those assignments, although they are appreciable for the enterprise, bear no comparison to the losses that result from underfulfillment of the overall profit plan. Given that situation, the collective interest of enterprises comes into contradiction with the interest of the national economy.

The problem of removing that contradiction requires an immediate solution, since failure to make deliveries under cooperative arrangements by even a small amount often results in losses that run into the millions for other enterprises and into the billions for the national economy as a whole. What is more, short deliveries are the basis for perpetuation of the shortages of certain resources when there are above-allowance inventories of others that have been produced over and above the plan for the sake of profit. It would probably be advisable to revise the procedure for distribution of above-plan profit realized through overfulfillment of the production plan when contractual obligations have not been fully met.

Approval can hardly be given to a growth of enterprise profit by "sloughing off" the inexpensive portion of the product mix, particularly consumer goods, through unwarranted supplements to the prices of those goods, which differ little from similar products produced earlier. For instance, the association "Kazanbytkhim" received supplements in the 1st half of 1988 which amounted to one-fourth of all balance-sheet profit. At the Brest Household Chemical Products Plant, the output of products bearing the symbol "N" was 41 percent over that period. What is more, the output of those products is being hiked up in state orders, which results in a curtailment of inexpensive products and worker complaints.

The problems we have enumerated can be solved in a way consistent with other aspects of improving the economic mechanism. After all, it is not right for enterprises to hike up prices in an attempt to eliminate difficulties that have above all been caused by the failure to balance production plans with the supply of materials and equipment. The situation with the latter continues to be strained, there are still substantial underdeliveries of products by enterprises in the wood-chemical complex (65 percent of the output of enterprises in this complex is consumed within it). Deliveries of equipment

(Minkhimmash) and railroad tank cars (Mintyazhmash) are also not being made, there are a large number of violations in the supply of heat and power to many enterprises in the branch. The lack of balance also applies to state orders.

Unsound planning has caused many of the financial difficulties of enterprises. The Balakovo PO "Khimvolokno" imeni Lenin corrected the profit plan below the targets of the 5-year plan in the light of reduction and withdrawal from production of products consumers are giving up, even though the volume of their production was set in the state order. In 1988 alone, deviations of this kind in planning reduced transfers of profit to the budget by 2.5 million rubles for this association, and transfers to enterprise funds were reduced 3.1 million rubles. In 1989, these deviations more than doubled. Here, the transfers, for example, to the social development fund did not even cover financing of current costs of maintaining children's preschool institutions, Pioneer camps, and other social institutions, including making up losses of the housing and residential utilities operation. A similar situation has been observed in the Svetlogorsk PO "Khimvolokno" and other enterprises in the chemical industry with respect to products planned under state orders to supply other sectors of the economy.

Failure to back up production plans fully with resources and difficulties in selling the products produced through no fault of enterprises are a serious obstacle to developing the second model of cost accounting, leasing, and internal cost accounting within shops and brigades. Deficiencies in material and technical supply are related to a considerable extent to the low degree of accountability of supply and sales organizations for the punctuality and completeness of delivery of supplies and raw materials. Many of them are lying like a deadweight at some enterprises while there is a simultaneous shortage at others. A shortage under such conditions is artificially created.

Enterprises have been experiencing difficulties in concluding contracts for the delivery of raw materials and supplies for 1989. As a rule, the contracts are concluded at the 1988 level. When production programs are increased, the difficulties may be compounded. This results in financial complications at the enterprise itself and in its relations with financial and credit institutions.

Many enterprises (the Ivanovo PO "Khimprom," the PO "Latvbytkhim," the Slavgorodsk PO "Altaykhiprom" imeni G.S. Vereshchagin) have been remarking cases when conclusion of contracts for delivery of goods unprofitable to the suppliers is refused. The reason given for the refusal is the standard one: not enough raw materials or production capacity. Such enterprises include the Volgograd Association "Khimprom" imeni S.M. Kirov, the Novomoskovskoye PO "Orgsintez," and others.

In the context of democratization and glasnost in society, higher requirements are being advanced as to the ecological quality of the environment. In certain regions of the country, some production plants have had to be shut down, and this also made the branch's financial condition more complicated.

In spite of the difficulties we have noted, there have been favorable developments. Enterprises have begun to pay more attention to analyzing the causes of difficulties and to seeking ways of getting out of them. Under difficult operating conditions there has been a relative stabilization of the economic indicators of the branch's performance, and the 5-year targets for them are being met. But the shortcomings are being corrected slowly, some of them have become chronic, and the transition to cost accounting and self-financing has had little effect on them. This is true of the state of inventories, "own" working capital, unproductive expenditures, etc.

The new ways of conducting economic activity, which have been making their way in the branch within the framework of the assigned 5-year targets, could yield more appreciable results in the current 5-year planning period if there were vigorous improvement of the relations of enterprises with management entities, scientific organizations, supply and sales institutions, financial and banking institutions, railroad administrations, and organizations responsible for delivering imported raw materials to enterprises. But these things are going very slowly. Yet time does not wait in the context of restructuring.

At a majority of enterprises surveyed, there was a shortage of resources to finance scientific research projects, especially those whose completion time runs to several years (even if the anticipated benefit is appreciable). That is why there have been cases when enterprise resources were scattered, when they financed trifling topics rather than solid and major research projects. In the context of the transition of scientific organizations to cost accounting, there have been cases when scientific research institutes refused to conclude contracts with enterprises for projects unprofitable for the institutes, but necessary to the enterprises. This has been noted at the Saki Chemical Plant imeni 50 Letiye Sovetskoy Ukrainy and the Dzerzhinsk PO "Orgsteklo." They say that certain institutes, taking advantage of their monopoly right in a particular scientific field, force the enterprises to pay for contracts which stipulate profitability of the scientific research institutes ranging from 100 to 300 percent.

The Uralsk PO "Plastik" and the Svetlogorsk PO "Khimvolokno" had to pay with their own resources for research of subbranch science whose benefit might lie partially or completely in other sectors of the economy. For instance, of the four production lines for film materials paid for by the PO "Plastik" it was left one,

and three were sent to Gosagroprom. Developments paid for by the Svetlogorsk PO "Khimvolokno" to improve its products yield an economic benefit only in light industry.

These and other problems posed by practice must be solved by central economic authorities. Probably the recommendations should stipulate the size of the developer's share in the profit of an enterprise from scientific developments: it must not exceed 50 percent of the profit left to enterprises after deductions at the established rates for the budget and the ministry. In the absence of that kind of sharing, the enterprise will not only not have transfers to its funds from profit over 3-6 years as a result of application of these developments, but even that portion of profit realized on a general basis will go off to the developer, thereby reducing transfers to enterprise funds.

There are also deficiencies in the way the keeping of records is organized at enterprises that are standing in the way of strengthening finance under the new economic conditions. There are no standard instructions on organizing operational recordkeeping and bookkeeping in connection with work done under collective contract and leasing, the procedure has not been defined for planning the production cost and income in the second model of cost accounting, and changes have not been made in the system of bookkeeping records.

The reliability of primary recordkeeping is adversely affected by the inadequate supply of devices for recording expenditure of raw materials and supplies, measuring apparatus and many weighing and monitoring attachments. Enterprises have been experiencing difficulties because of the shortage of qualified personnel and also counters used in mechanizing and automating recordkeeping operations. Yet there is a greater need for this in the context of full cost accounting because there is now the additional work of totaling up results for the work of every section, shop, and brigade. Some indicators are altogether lacking on the reporting forms established by USSR Goskomstat: for example, for depreciation, while others such as profit are duplicated from one form to another. There is no system for covering problems in improving the economic mechanism in an explanatory note on semiannual reports, and yet without it there is no way to know and to summarize the opinions of work collectives on ways of improving the economic mechanism.

Nor does it help the strengthening of finance that the system of economic penalties has not been fully developed. Cost accounting has not yet been introduced everywhere in the economy, and that is why enterprises are not being fully reimbursed for losses occurring through the fault of Gosstab entities, components selling fuel and power, the railroads, etc. For example, in recent years the Orekhovo-Zuyevo PO "Karbolit" has been allocated only 50 percent of the medium-capacity (3-5 tons) containers it needs. As for the penalties of railroad



organizations, they reimburse only a small part of the losses from the lack of containers. This situation places fetters on the supplier's performance, strengthens the dictate which producers now have relative to consumers, forcing the latter to organize transportation for their own products, and the financial system of the country as a whole suffers as a result.

The introduction of cost accounting at all levels and in all subdivisions that enter into relations with enterprises and organizations of the industrial sector is a mandatory condition for achieving effectiveness of the new economic methods, since the profit of some organizations, built up by collecting fines, sometimes infringes on the legitimate interests of producers, since it violates social justice and the realism of the principles of cost accounting. That also applies to relations between industry and the trade sector. The latter receives immense penalties for short delivery of products and other violations of delivery terms and conditions, which makes it possible for that sector to live comfortably without expending effort to improve the organization of trade. The system of penalties in the form of fines, which has been guaranteeing the trade sector profit it has not earned, actually arouses its interest in industry's failure to meet its contractual obligations. Moreover, whereas the supplier receives penalties for underdelivery of raw materials and materials and supplies to him at wholesale prices, trade organizations collect fines for short delivery of commodities by applying the penalty rates to the amount in retail prices, i.e., the amount is far larger.

The procedure for enterprises to credit to the material incentive fund any surplus of fines received after deduction of fines paid does not seem very expedient. Nor have enterprise collectives earned these amounts. In our view, it would be economically sounder to credit the positive net result of fines to the FRPNT or FSR.

We would like to emphasize that the effectiveness of penalties, measured by the degree of their impact toward strengthening enterprise finance, can be achieved only if there is no unit in the system of the economy that can draw into its circulation profit which it has not earned by labor.

The problem that is complicating the financial condition of enterprises most is that many of them are holding a total volume of actual commodity stocks exceeding the maximum planned level that has been established and there are above-allowance remainders of certain commodities and supplies subject to allowances.

When there is a shortage of raw materials, the penalty of collecting a 3-percent fine for above-plan stocks of commodities and supplies does not "work." Enterprises prefer to pay the fine than to be left without supplies and raw materials to support production. That is why they acquire everything they can. This kind of "thriftiness" is fraught with greater shortages for the economy and a

further tying up of the working capital of every individual enterprise and of the national economy as a whole. Probably, Gosstab components should be made more accountable for backing up production plans with supplies, raw materials, and components. Inventorying the above-allowance stocks on the scale of the country's national economy in order to speed up their employment could eliminate the shortages of supplies and raw materials for certain branches of the economy (and among enterprises within the branch) by reducing superfluous inventories at enterprises and in ministries. This measure would result in a healthier financial situation. That is why it is difficult to overestimate the importance of the speedy solution of the problem of improving material and technical supply and collection of the fines that are now in effect.

The policy of financial and banking institutions that is based on determining the proportions of "own" working capital of enterprises and credits necessary for the branch on the basis of the level of the year taken as the base hardly seems conducive to improving the financial condition of enterprises. When "own" working capital of enterprises is determined from the level of a base year (taking into account acceleration), the growth of working capital is not included in the total amount of working capital of the ministry not only for production operations which are expanding, but even for newly activated enterprises.

Nor is there justification for the procedure set down in the Law on the State Enterprise, whereby that portion of working capital which is earmarked (for acquisition of imported replacement parts for the period after the warranty and for the performance of startup and adjustment operations) cannot be redistributed. Earmarked funds under the standard allowances should be transferred from enterprises which no longer need them to others where a need has arisen. When their distribution is not possible, there is an unwarranted surplus of resources at some enterprises and a shortage of resources at others through no fault of their own.

Here are some cases encountered in practice.

In August 1988, a letter of USSR Minfin on procedure for distributing the amounts of temporary supplements for producing products with the symbol "N" was sent down to enterprises. On the basis of that letter, financial authorities of the city of Brest demanded that the household chemical products plant recompute all technical-and-economic indicators for the period since the beginning of the year. This instruction is hardly consistent with the requirements of the new economic methods.

It seems legitimate for the enterprises to raise the question before the USSR Ministry of Finance of simplifying the procedure for confiscating turnover tax and profit into the budget. This would be possible if the transition

were made to average rates of the turnover tax on the basis of the rate of output and prices at the enterprise, rather than determining it for each product and each bill that is paid.

It would also be advisable to confiscate profit from the enterprise into the budget through a single channel on the basis of calculations of payments and transfers into the budget for the 5-year planning period. Simplification of accounts with the budget will have a favorable effect on relations of enterprises with financial authorities and will make time available to them both for analytical work. The importance of that effort for strengthening finance increases in the context of operation based on full cost accounting and self-financing. After all, it is only by analyzing performance that one can discover untapped potential and determine ways of activating it. It is generally known that no economic system can be effective if there are substantial negative deviations in economic and financial activity. It is the foremost task of enterprise personnel to eliminate them in good time. Economists, including the personnel of all the financial departments, are expected to direct that effort.

Within total transfers from profit to the budget, it is advisable to single out the rate of payments into the local budget so that local management entities can receive from enterprises their share of the profit on economic foundations. What is more, that share should also include deductions of enterprises to finance roads; the present charging of these expenditures to the fund for development of production, science, and technology is not economically justified and artificially increases the share of profit left at the disposition of the enterprise.

It should be noted that local government agencies are continuing to request from enterprises monthly data not envisaged by statistical reporting. Enterprises mention intervention in their activity on matters of production finance. It seems to us that this situation has to do with a certain lack of consistency between the USSR Law on the State Enterprise and the rights of local government authorities. It would be justified and worthwhile to refine those documents so as to take into account the experience that has been gained.

Just as was the case earlier, in 1988 enterprises continued to experience financial difficulties that were not their fault—funds that were not received from consumers because the latter were unable to pay. This is evidence of the imperfection of settlement in the economy. Restrictions on the granting of credit so that customers can settle accounts with suppliers when the customers have long-term financial difficulties seems economically unsound to us. In the context of this procedure, the chain of nonpayments spreads rapidly in the economy, enterprises performing well suffer because of economic agencies that are performing poorly. That is why it is advisable to adopt economic levers to terminate the issuing of credit to a customer for settlement when he is in financial difficulties—to issue credit for making payment at

interest rates whose level would be directly proportional to the duration of adverse deviations in economic and financial activity of the enterprises receiving the credit.

In our view, this saving on credit resources, just like the curtailment of credits for other purposes, is hardly beneficial to the national economy, especially in a period when the new economic conditions are only gaining strength and are in need of every kind of support, including support from credit. It is happening the other way about in practice. As of 1 July 1988, bank credits secured by working capital subject to standard allowances dropped more than 73 percent from the same period in 1987.

The procedure established for planning credits granted to enterprises to cover inventories of commodities and supplies on the basis of remainders in the base period has placed in more favorable conditions those enterprises whose remainders were higher than the necessary level and has placed in unsatisfactory conditions those enterprises which through no fault of their own were forced to take large lots of supplies and raw materials which are seasonal in nature, deliveries of imported products, intermediate products for new production operations being started up, and so on.

The relations of bank institutions with enterprises are still not those of cost accounting. The former are collecting high rates of interest on credit (up to 10 percent), but they pay no interest or token interest (0.5 percent) for temporarily keeping (often quite long) the available resources of enterprises which are a source for the bank's loan fund.

We consider such a situation economically unwarranted [original reads "warranted"]. The average rate of interest on credit must be higher than the interest rate for storing temporarily available funds of enterprises in the bank by only the amount necessary to maintain a reasonable bank staff (the reorganization of the bank has made that apparatus more expensive, and the services to enterprises related to credits and settlement have deteriorated) and to build up profit not exceeding the average level of profitability of industrial enterprises. The extra profit which banks now realize, the size of which is essentially not regulated by the state, is nothing other than yet another channel for confiscating the profit of industrial enterprises. In view of what we have said, the ratio between the rates collected by the bank and paid by the bank must be set by the state. Otherwise, the transition of banks to cost accounting will strengthen their monopoly position, which is reinforced by administrative methods of economic activity.

The question of improving settlements in order to eliminate the situation in which enterprises performing well experience financial difficulties because of tardy payment of products they have shipped, which is of vital importance to practice, has been under discussion in the press from year to year. Many enterprises in the branch

have proposed in this connection that products shipped be paid for immediately upon submittal of documents with credit that would be issued to the customer's bank.

A bank might test that form of settlements as an experiment at least in the case of enterprises which have not violated the terms and conditions of deliveries with respect to volume, quality, and deadlines and which have not received complete or partial refusal of acceptance of their bills for their products. To be sure, this would eliminate the customer's prior inspection as to fulfillment of the terms of contract related to the incoming documents. But this can be offset by the fact that if the delivery terms and conditions are violated by enterprises, provision would be made to abolish this form of settlement. It would seem that enterprises would prize the confidence shown in them and would not abuse it. As a result, the financial condition of enterprises and of the country would be strengthened.

It is in view of these considerations that it would be economically justified for credit secured by billing documents en route, granted to the supplier upon his submittal of shipping documents within the established period of time, to be repaid as funds are received from the customer, not at the end of the time allowed for the paperwork to be completed. Should the credit not be repaid on time because the consumer is late in making payment, the latter must pay a higher rate of interest. This would be in line with the principles of strengthening cost accounting relations on the scale of the national economy.

Many institutions of banks have not been meeting the requests of enterprises that payments be made by telegraph (although this was envisaged in an instruction), and they are slow in sending out accounts on settlements of enterprises, so that they cannot monitor their product sales in good time. Of the 112 enterprises we surveyed, one-third expressed very adverse opinions of the reorganization of the banking system and spoke of its adverse consequences for enterprise finance. Other enterprises also associate their financial difficulties with deterioration of credit services and settlement services under the new economic conditions.

Enterprises consider it indispensable that they be issued a directory of bank establishments giving their addresses and numbers for settlements and that they be made available to all those who desire them. It seems to us that on the same basis enterprises should be supplied instructional materials and materials on methods by financial and banking authorities. This would speed up their competent application and would contribute to improvement of the work of economic statistics.

Here is another problem that has not been solved so far. Enterprises using imported raw materials in their production have been incurring sizable losses because of the price differences between these raw materials and the analogous domestic product. Enterprises in the branch

put the question in practical economic terms: these losses should not be borne by the enterprises which see that consumers receive the products they need, but by the management entities responsible for solving the problem of producing domestic supplies to replace those which are imported.

Foreign economic relations have not undergone further serious development in the context of enterprise operation on full cost accounting and self-financing: in essence, direct relations between suppliers and consumers are not developing. Enterprises see the low level of foreign exchange deductions as an impediment. In their opinion, that level should be at least 40 percent. What is more, the date for crediting funds to the foreign exchange fund of enterprises must be brought as close as possible to the date for arrival of foreign exchange proceeds in the bank. At the present time, the deductions are made only once a year.

The effectiveness of the system of economic activity at enterprises operating according to the first model of cost accounting is diminished because wages are built up in a base fund (which is rightly criticized as not always having been earned), augmented for the growth of commodity output.

One year of operation in the context of full cost accounting and self-financing is a short period of time for all the positive and negative factors to show up. But it is clear even now that it does not make sense to pay wages according to a base year. It is also clear that worker motivation cannot be reduced by establishing a rigid ratio between the average wage and labor productivity.

In our opinion, one can concur with the proposal of P.G. Bunich, corresponding member of the USSR Academy of Sciences, of applying at state enterprises the principles of income distribution which are in effect in cooperative organizations: after transfers of tax to the state and compensation for material costs, the remainder of income would go to build up internal incentive funds, and the boundaries between them would be established by decision of the collective.

Many work collectives also consider it necessary that they be given the right to divide up the profit left at their disposition as they see fit. Establishing a procedure for taxing the FRPNT that is more favorable than that of the wage fund (FZP) and less favorable taxation of the FSR than the FZP, but still nevertheless preferential, might guarantee optimum distribution of profit among the enterprise's funds. Should there be abuses of collectives in the use of profit (primarily for remuneration of labor), the model of income distribution not subject to a standard rate could be abolished.

It would be desirable to test this model as an experiment at a number of enterprises in the branch or at enterprises in different branches. The enterprises surveyed note that the discrepancy in remuneration of labor, incentives,



and taxation of workers between state enterprises and cooperatives could result in an undesirable drain of highly qualified personnel from state enterprises.

It seems to us that more vigorous use needs to be made of a system of experiments along various lines to work out an economic mechanism whose effectiveness is determined by the financial condition of each individual enterprise and the national economy as a whole. Enhancing the role of finance, whose importance has been played down recently, is a mandatory condition for a rise in the effectiveness of economic activity.

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## INTRODUCTION OF NEW TECHNOLOGY

### Economist Kheynman Assesses Potential for Technological Progress

18200200 Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 1, Jan 89 pp 20-26

[Interview with S. A. Kheynman, doctor of economic sciences, professor, by S. Gubanov: "What Strategy Should Be Preferred?"; date, place, and occasion not given; first paragraph is *PLANOVOYE KHOZYAYSTVO* introduction]

[Text] On behalf of the editorial department S. Gubanov addressed the above and other questions to the famous economist S. A. Kheynman, doctor of economic sciences, professor, chief scientific associate at the Institute of Economics of the USSR Academy of Sciences.

[S. Gubanov] Solomon Aronovich, please evaluate briefly the effect of the reform of economic management on the solution of problems concerning the quality of output and acceleration of scientific and technical progress.

[S. A. Kheynman] First of all, it should be stated that the economic reform is proceeding not quite as envisaged. In many respects this process has proved to be more complex and contradictory. The situation in the area of scientific and technical progress remains especially contradictory, not lending itself to an unequivocal evaluation. Of course, there are definite shifts and it is impossible not to see them. At the same time, however, it must be admitted that a radical breakthrough has not yet occurred, in any event, in the main directions of social and economic development. Some problems, including those concerning the quality of output, have begun to be felt even more acutely.

[S. Gubanov] At one time special hopes were pinned on increments for the quality of output and discounts. However, this truly powerful economic commodity-money lever did not lead to a noticeable success. What, in your opinion, was the reason for this?

[S. A. Kheynman] To pay additionally, to give increments, to punish with the ruble, and to apply discounts—this was later. At the beginning an attempt was made to solve the problem organizationally. That is why various quality systems appeared: the overall system for product quality control and Saratov, Lvov, and many other systems. To be sure, they were of definite benefit, but did not become widespread, that is, nor did this way give an effect. Now they are not even mentioned. The same happened with increments and discounts. In the last few years we have applied state acceptance on a national economic scale for controlling the quality of output based on the most important products list. Here too everything is contradictory and not simple. On the one hand, the output of defective products, if spoilage is uncovered at early production stages, is checked. On the other hand, this measure is basically administrative, although it affects economic indicators. Its use distances the producer from the consumer even more, although precisely he, the consumer, evaluates the quality of output and no one decides for him whether certain equipment and a certain machine tool are suitable or not. Therefore, in the establishment of normal economic relations between suppliers and consumers state acceptance plays the same small role and gives just as little as the system of bonuses for a higher quality. Apparently, we do not at all approach the quality problem from this end. It is more global. The most diverse factors are interwoven here. We must begin with their analysis in order to understand what to do.

In order that machinery may be of a high quality, there is a need for machinery that ensures it—dressing, finishing, and lapping—that is, if one can say so, machinery for quality. It is a matter of the structure of the production machine building apparatus itself, a structure in which the material and technical conditions and prerequisites for an improvement in the quality of output are already inherent.

Unfortunately, machine building managers pay little attention to an analysis of the structure of the production apparatus and to the extent to which it contributes to the accomplishment of the task of leading the sector's output to advanced lines. Meanwhile, there are quite objective and expressive, new data. Equipment, including metal-working equipment, censuses were taken in the USSR and the United States in 1983. It turned out from these censuses that in the USSR there were 20 grinding machine tools per 100 lathes designed for shaping metal used in machinery production and in the United States, 66; 4.5 finishing and lapping machine tools in the USSR and 15 in the United States respectively. It is obvious that the gap is very substantial.

[S. Gubanov] What is the situation in sectors associated with machine building?

[S. A. Kheynman] Quite similar. The saturation of rolling shops of ferrous metallurgy with finishing and lapping machinery necessary for finishing and lapping rolled

metal surfaces and sections to a high-quality level is much smaller than required. This rolled metal is unsatisfactory. In machine building it is subjected to working primarily by cutting. The proportion of a more advanced metal working method in the form of plastic deformation, as well as others connected with a laser or chemical effect on metal, is very small. In our country there are 16 forging and pressing machines per 100 metal-cutting lathes and in the United States, 24. The lack of worked out organizational and economic relations between metallurgy and machine building also has an effect. Our metallurgy produces most of the metal in the world, but only about 4,000 rolled metal sections. The Klekner Firm from the FRG produces much less steel, but offers its customers by catalogue 10,000 sections—2.5-fold more.

[S. Gubanov] Don't you think that a certain connection between the obsolete structure of our production apparatus and the expenditure tendency of management accompanied by a wasteful use of material, labor, fuel-power, and natural resources and a rise in prices of both intermediary and final products is reflected here? For a low quality of labor one has to pay with an overexpenditure of its quantity. Isn't that so?

[S. A. Kheyman] This is precisely the point. Mismanagement is not somewhere outside production, but in production itself. The low quality of the means of production and their backward structure—this is waste. For a long time we have been saying that our machines and equipment are much heavier than foreign analogs, which embody the modern world level. We must also see all the rest that is hidden behind this fact: The overexpenditure of metal, which is caused by the low quality of rolled metal and metalworking, has an effect on the entire reproduction cycle. It is necessary to increase the extraction of iron ore, to load transport, which is overloaded as it is, and to expend a vast quantity of electric power on the ore concentration process. In turn, an increase in ore extraction leads to an intensification of the maximum load on nature, withdraws agricultural land from the cultivation turnover, reduces the human habitat, and aggravates the ecological situation in large industrial centers. The backwardness of the production apparatus and its sluggishness and inertia can no longer be tolerated. It is time to change from words to deeds. And if designers continue to offer yesterday's and even the day before yesterday's machinery for placement in production, perhaps it is time to use authority? Although the problem as a whole will not be solved by administrative measures alone. We need a set of measures capable of reorienting metallurgy and machine building to the production of high-quality metal and high-quality machinery from this metal so that machine builders know: If they install a certain part, it will not disintegrate in the assembled machine, because of such metal.

[S. Gubanov] Investigating problems of scientific and technical progress, to be sure, you gave thought to what strategy is best to prefer: To seek our own paths, or to

follow the beaten paths, in particular, for the purpose of borrowing technological solutions already worked out abroad?

[S. A. Kheyman] A balanced approach is needed here. On the one hand, we should not shut ourselves off to foreign experience, but consider and take all the best that has been accumulated by scientific and technical thought. Both contacts and ties are needed. World experience and world practice must not be ignored. On the other hand, it would be a mistake to blindly copy ready technological and organizational-economic solutions. With such an approach our economy will be at the tail end of modern scientific and technical progress. In this sense an overestimation of the role and significance, for example, of joint enterprises is inadmissible. Counting on these enterprises and only on borrowing machinery and technology elsewhere, the country will not solve its problems. First of all, we need a progressive structure of domestic machine building as the cornerstone of the material and technical base of society. We must search for our own ways and our own techniques and methods of developing productive forces, leaning on all the historical advantages and achievements of the planned economy. This is a serious problem of our economy. We often view it abstractly, in itself. However, this is also a specific problem, which is of great practical and political significance. In practical terms it is connected with the problem of quality of our productive forces and in political terms, with the fact that our country is in the system of world relations and the world division of labor. Two social systems are engaged in an economic competition with each other. These are objective factors. But there are subjective ones. The lack of solution of a number of economic problems, primarily the quality of output and development of scientific and technical progress, has an effect on the course of the competition.

Here it is appropriate to talk about the low competitiveness of domestic technology, machines, and equipment. All developed countries seek to maintain an active balance in the export and import of machinery and try to see to it that export does not exceed import. The export of machinery serves as one of the basic sources of currency earnings for them. In our country, however, a negative balance in the export and import of machines and equipment has existed for 2 decades. According to the statistical yearbook, it is not difficult to estimate that in 1970 it totaled 1 billion rubles, in 1980, 7 billion rubles, and in 1986, 15 billion rubles. As a result, the export of machinery does not give an excess of income from export over expenditures on import and sources for covering import have to be sought in fuel and raw materials. This is by no means a progressive structure of the foreign trade balance. We must also pay for it with an increase in expenditures on petroleum and gas extraction, worsening of the ecological situation, and so forth. This is the form which, ultimately, the lack of solution of the problem concerning the quality of machine building output takes.

[S. Gubanov] Does it not seem to you that we have begun to talk more often about the need for structural shifts, but have not yet applied proper efforts and do not make a profound analysis of the state of productive forces, characteristics of leading tendencies, prospects for their development, and appropriate organizational and economic forms?

[S. A. Kheyman] Insufficient attention is still paid to an analysis of the material prerequisites for what occurs in the economy. We do not sufficiently study how the dynamic structure of society's productive forces is formed and what the leading tendencies are here. Therefore, the adopted decisions on a territorial distribution of industries, structural maneuvers, and the most important reproduction proportions are not always optimal. But the main role in their development and substantiation belongs precisely to central planning bodies. Various kinds of expenses and intensification of departmentalism and localistic tendencies are the consequences of insufficiently thought-out planned decisions. This has a negative effect on the solution of problems concerning the distribution of productive forces in certain regions and improvement in the structure of the national economic production apparatus, in particular, intersectoral relations between metallurgy and machine building.

The essence of the problem is exemplified with special clarity by metallurgical miniplants with an annual capacity ranging from 250,000 to 500,000 tons of metal products for machine building application. As an analysis of the tendencies and patterns in modern scientific and technical progress shows, such miniplants are some of the most promising forms of organizational and economic interaction of metallurgy and machine building. Rolling mills of a large capacity and productivity are gigantic machines. It is difficult to switch them from one type of rolled metal to another. They limit the assortment objectively. Huge rolling mills for 5 to 7 million tons of rolled metal are unable to provide a multithousand number of sections. Giants simply do not manage to fill specialized machine building orders and do not possess the required flexibility and capacity for restructuring.

The way out was found in miniplants. They are highly automated, specialized, technically and technologically modern enterprises, which are easily readjustable from one rolled metal section to another. About 300 metallurgical miniplants now operate in the West. We have adopted a decision on the construction of only three such plants. In reality, two were built—in Moldavia and Belorussia. They were not yet fully operative when localistic, unhealthy sentiments were revealed. Ecology was chosen as the pretext. This is how people think: Let them operate somewhere in the Donets Basin, or somewhere else, where the ecological situation is complicated as it is, and deliver finished rolled metal to us. Of course, the ecological factor must be taken into account. However, we should not be concerned about moving

advanced technical and economic structures, as ecologically dangerous, farther away from us, but about making them ecologically acceptable. The ecological safety of production is also the main path of its development. We must not turn off this road, but follow it firmly and steadily.

With regard to problems of improving the structure and quality of the production apparatus, they should be solved along the line of the general scheme for the development and distribution of productive forces, not along the line of so-called "republic cost accounting." We must systematically engage in an analysis of the material and physical base of technical and structural progress. No organizational decisions, reorganizations, shifts, and so forth will replace, for example, finishing equipment if it does not exist. That is why the mechanism of increments and discounts did not work as expected.

[S. Gubanov] Have you noted that, recently, intensification has been mentioned less and less frequently and more and more quietly? Even this word itself is left out of the vocabulary of scientific publications.

[S. A. Kheyman] Unfortunately, this is so. With respect to intensification, ebbs and flows are noticeable. But a fundamental position is needed here, because the entire essence and interweaving of all problems—concerning production organization, scientific and technical progress, and the economy as a whole—lie precisely in intensification now. It is a matter of our growth, but at the expense of the potential, volumes of raw materials, and capacities of the production apparatus that we have at our disposal. The mentioned Klekner Firm produces highly efficient rolled metal sections, while our metallurgists are proud of the fact that they have ensured an increase in *ordinary* metal. And they see almost an intensification in this.

[S. Gubanov] If we also analyze the economic aspects of the problem, the following paradox is revealed: The consumer of machine building products not only fails to restrain the rise in their prices, but appears even as a kind of conductor of a price rise with regard to allied enterprises. What are your views in this connection?

[S. A. Kheyman] Here we approach theoretically more general, but no less important, problems. In my opinion, the criterion of socialization in its Leninist concept has not yet been fully realized. In practice, production socialization presupposes efficiently organized and universal control and assessment of real labor results and expenditures. This can be attained only within the framework of nationwide labor cooperation and a correct intersectoral interaction of primary economic links. Society should be oriented toward reducing not merely departmental and sectorial labor expenditures, but national economic and socially necessary labor expenditures. However, this requires the solution of problems concerning the specialization and concentration of industry and



agriculture. Their solution is not an end in itself, but a means for the organization of correct intersectorial relations between producers and consumers of products. After all, it is important not to merely produce, for example, a good machine tool. Something else is the chief thing—it should fit the consumer's "figure," occupy the place in the production structure preassigned to it, and ensure a real economy of live and past labor.

Unfortunately, however, we now observe a completely different approach. Enterprises are only interested in their own production and in their own efficiency. Ministries demand the same from them: gross production, a value plan, a quantity plan, a profit plan, and an assortment plan. But it makes no difference to them whether consumers are satisfied with delivered products and at what price and how needs are met. Producers' omnipotence and a lack of consumers' rights exist.

However, consumers are also in the value system of management coordinates. It would seem that, if they acquire a less qualitative, but more expensive, machine tool, their profit should be reduced. This is logically correct and indisputable. In practice, however, this is not so. That is why. The higher expenditures on such a machine tool are calculated in the production cost. It is approved and becomes the base for the price of produced products. There is an increase in prices in the link of the machinery consumer. The consumer is also oriented toward "gross output" and an increase in value volumes. He is interested in the rise of prices of "his" products. Prices cover wasteful expenditures. The price rise is effected from link to link by contractual cooperation. Although prices rise, neither the profit of the supplier nor of the recipient of machine building products not only fails to decrease, but can even increase. Prices, which cover actual expenditures, are a kind of umbrella covering shortcomings in management, waste, and mismanagement. Under such conditions neither the supplier nor the consumer is interested in restraining the price rise. For this reason increments also did not prove worthwhile.

And another reason. The following example gives an idea of it: In the Transcaucasus there is a plant producing very small lathes. But they are of a low quality. Consumers do not take them. Consequently, the plant should "go broke." It should, but it does not "go broke," because the Ministry of the Machine Tool and Tool Building Industry compensates for the reduction in its volumes through an increase in volumes at advanced plants. In one place 1 million rubles are eliminated from the plan and in another, are added. V. P. Kabaidze said correctly at the 19th party conference: We still love the lame and the destitute. The low quality of output of some is covered with the high quality and result of others. Plans are considered fulfilled everywhere and, most important of all for the ministry, in the entire sector. Thus, a backward plant disguises itself, makes itself appear successful, and puts on some rouge.

[S. Gubanov] What do you think, why in advanced world practice associations are established after intersectorial specialization, but in our country, before it? Apparently, this is also a significant factor affecting the quality of output?

[S. A. Kheyman] Such a situation is connected with the general problems concerning the structure of machine building. Highly productive specialized and unified production of functional assemblies and units is organized at small and medium-size machine building plants in developed countries. In time every assembly is finished to the highest level of perfection and quality. On the basis of production specialization and cooperation a high standard of the entire machine building production is formed and skilled personnel are established. At the same time, machines and equipment are assembled from these ideally finished units at other plants. In our country the plant makes all the assemblies for itself. This is incorrectly understood socialization of labor based on its weak division and on cumbersome and by no means modern item specialization, which becomes obsolete on account of the poor quality of products. However, both our science and economic planning practice have ceased even to talk about the development of socialization along such paths. But not mere talk is needed. Without part specialization there is no unification of assemblies and without it it is impossible to bring them up to the world level of quality and to raise the standard of production and personnel skills. Such is the connection here.

In order to solve the problem, it is necessary to establish, I would say, a machine building infrastructure. There is a need for a network of specialized enterprises producing functional units for all machine building so that other plants may only assemble quality machines and equipment.

[S. Gubanov] Thus, a unit-module organization of this business, which makes it possible to assemble functionally different machinery from units and modules finished to perfection, varying them?

[S. A. Kheyman] Yes, like different pictures from blocks, that is, a flexible production structure is needed. Flexibility is the first condition for progress in machine building. It requires the selection of functional units, a high level of unification, and their specialized production connected on a cooperative basis. We must strive for this. But in the meantime in our country unification is at an exceptionally low level. The Moscow Motor Vehicle Plant imeni I. A. Likhachev and the Gorkiy Motor Vehicle Plant manufacture trucks of approximately the same category. The degree of their unification is extremely low—it does not reach even 5 percent; at the enterprises of the former Ministry of Tractor and Agricultural Machine Building, 6 or 7 percent. This is one of the consequences of the departmental—pardon such a sinful expression—private economic, by no means socialist, approach at socialist property enterprises.

[S. Gubanov] In such a situation, apparently, it is difficult to organize the activity of a real, not declared, intersectorial association. If there is no technological part specialization and cooperation...

[S. A. Kheyman] Quite correct. For example, in Western Europe all motor vehicle industry enterprises receive cardan shafts (for passenger cars) from England.

[S. Gubanov] But, for us this is a big question, although, it would seem, in such a country with public property, which, incidentally, sometimes is considered ownerless (someone should also shake this foundation of ours!)... In this connection does the decentralization of capital investments not lead to a dissipation of efforts and resources in the process of innovations?

[S. A. Kheyman] This is one of the central and as yet very poorly solved problems concerning presently formed relations of independent enterprises and the economic center, especially planning bodies. Frankly speaking, there have been distortions in this matter. Now there is enthusiastic confidence that full cost accounting and self-financing are a panacea against all evils. It seems from the loud statements and promises of a good life for enterprises. It was assumed that all of them would do everything that was necessary. Gosplan was represented as a carrier of conservatism. Hence the dissipation of resources, especially capital investments. A profound mistake! It is fraught with serious consequences for technical progress and for the social and economic development of the country as a whole. An enterprise is unable to solve structural problems on its own. Nor can it establish a machine building infrastructure and a network of specialized production facilities producing functional units.

Of course, many unpleasant emotions are connected with the work of planning bodies. They make considerable mistakes and miscalculations, but try to do without miscalculations in a big endeavor. It should not be a matter of belittling the role of these bodies and limiting their effect and responsibility for the state of the economy, but of improving the nature of their work.

[S. Gubanov] How do you see this? To improve the methodology and methods of planning?...

[S. A. Kheyman] If a person has been in a plaster cast for a long time, even after it is taken off it is difficult for him to move on his own at first. Our enterprises were in the plaster cast of all kinds of instructions for a long time. Now independence has been granted them. However, it can hardly be expected that they immediately stand on their feet and begin to move ahead confidently. They need the support of planning bodies. The rest, which has just been discussed, is the most harmful illusion fraught with big losses and disappointments for all society. Intelligent help is needed on the part of planning bodies. However, some planning workers would often say even with some dignity, if not scorn: We

will not establish contact at enterprises! But how to analyze economic processes, to control plan fulfillment, and to observe new phenomena? And what is the Gosplan without this?

Enterprises themselves cannot competently engage in the study of tendencies in scientific and technical progress. Moreover, they are not trained to do this. However, if we want scientific and technical progress to develop under conditions of the expanding independence of enterprises and self-financing, it is necessary to establish an all-Union information network of scientific and technical progress.

[S. Gubanov] Which would also serve as the initial data base for planning at enterprises?

[S. A. Kheyman] Precisely so. The prospects for the development of planning are connected with the establishment of such an information file. It is necessary to teach enterprises to use it so that they may turn to it independently and with interest. We have in mind not a mere cost-accounting mediation between the supplier and the consumer... In some offices, even budgetary ones, where there is nothing but paper, there is a game of cost accounting with only one objective, that is, to obtain more (but even grass does not grow there), whereas in shops, where there is a place for it, it does not exist. Thus, a centralized initial data bank for planning is needed. The entire national economy needs it now.

Thus, if to sum up the investigation of this matter, the role of planning bodies increases not in the sense of planning every small bolt and screw, but in the sense of a profound analysis of the tendencies in and prospects for scientific and technical development of productive forces. The solution of problems concerning structural and organizational shifts in the economy is required from them.

The independence of enterprises is not an end in itself. A combination of the efforts of the center and low-level links is required and a unity of actions, which now is disrupted in something, is needed. When they work for one common cause together, success comes. The country's entire historical experience attests to this. Every decision of planning bodies should not be seen as interference in the affairs of enterprises, undermining of their independence, and so forth. The tasks and interests of the country's social and economic development are not divided into stories [of a building].

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## RESOURCE UTILIZATION, SUPPLY

### Transfer of Land, Water Rights to Local Soviets Urged

18200202 Tashkent PRAVDA VOSTOKA in Russian  
21 Jan 89 p 2

[Item by APN: "New Model of City Budget"; first two paragraphs are PRAVDA VOSTOKA introduction]

[Text] In the process of formation of various national economic management systems an important place is assigned to management at a regional level. The practice of the first years of restructuring has already given examples of a varying degree of efficiency. For example, some local soviets introduce elements of cost accounting (they introduce a differentiated payment for land, to which an enterprise lays claim, and for the use of labor resources), others build relations with enterprises on principles of mutual services, still others, in order to solve social problems of cities, establish cost-accounting firms with a share participation of enterprises, and still others... wait for the Law on Land. There is a typical path of trials and errors. Will it not hamper the solution of this problem?

This is what Candidate of Economic Sciences Valentin Finagin, head of the Department for Social and Economic Development at the Institute of Industrial Economics of the Ukrainian Academy of Sciences, says:

In fact, a great number of plans for the transfer of cities and entire regions to full cost accounting have appeared. At the same time, as a rule, the cost accounting of a city is identified with the cost accounting of enterprises. Most plans, as additional sources of financing, envisage higher normative deductions from profits of enterprises. In essence, this path is the continuation of the former forcible policy of pumping out funds without an economic substantiation. The new plans are based on the old principle of forming the city budget, in which the turnover tax and deductions from the profit of enterprises are the basic financial sources. After all, according to their nature soviets should not replace sectorial management bodies and worry about the final results of activity of enterprises under Union and republic subordination.

A new economic mechanism—the city cost accounting fund—should replace the budget. For this, however, soviets should finally receive the right of ownership of land, resources, and projects of city economy under local subordination, especially as for a number of entries of this law there are direct recommendations by the July (1988) Plenum of the CPSU Central Committee. "In connection with the reform of the political system," M. S. Gorbachev said at that time, "there is the task of restructuring relations between enterprises and soviets... Essentially, it is a matter of forming an economic basis for self-management as a part of public property, which includes municipal facilities, service systems, available housing, city transport, and so forth, assigned to local bodies."

In other words, economic relations between the city and enterprises should acquire a cost-accounting nature. Consequently, the city should have the right of ownership. How do matters stand now? The modern Soviet city seemingly consists of two sectors. Enterprises under Union and republic subordination belong to the first—ministries and departments "own" them. The second includes enterprises and institutions under local subordination. They are customarily considered city property. However, the signboards of enterprises, schools, hospitals, and stores indicate that these facilities, by the right of first ownership, belong to republic ministries and are "attached" to the territory only in parallel. Land is assigned to the city, but is state property. Often even official premises of local soviets are on the balance sheet of enterprises.

In the city cost-accounting fund proposed by us, which will replace the budget, the payment for the use of natural, material, and labor resources will become a priority revenue item. It will be followed by deductions from the profit of enterprises and organizations owned by the city, revenues from providing paid services for the public, share participation of enterprises, cooperation of enterprise funds, revenues from leasing and cooperative activity, taxes on the population, and so forth.

There are many questions here. For example, how will the payment for land operate? Incidentally, we use this "free" gift of nature in an extremely wasteful manner. Whereas 120 to 160 work places are located on 1 hectare of industrial territory in the United States and Western Europe, 50 to 75 are located in the USSR. Now let us visualize a director, who has received 100 hectares of land from the city soviet and annually pays a rent of 100,000 rubles (according to the most modest estimates). Naturally, this will be reflected in the profitability of the enterprise and will force the manager to use the area with maximum efficiency.

Preliminary economic calculations, as illustrated by several cities with a population ranging from 100,000 to 500,000, have shown that the cost-accounting fund will ensure monetary receipts exceeding the present budget. Such a forecast is substantiated by the fact that all the items of revenue of a city operating on cost-accounting principles will depend fully and exclusively on the analytic and economic-operational efficiency of the soviet's management apparatus.

The new internal sources of budget formation will enable the city to efficiently manage social, as well as ecological, processes. For example, the actual, not symbolic, payment for water resources will stimulate the introduction of waste-free technologies.

In the future we should receive an answer to a question, which we have never asked ourselves: In the final analysis, how much does our city cost and what is its proportion in the value of the country's national wealth?



## AGRO-ECONOMICS, POLICY, ORGANIZATION

### New Finance Centers Play Role in Extending Agricultural Credits

18200229 Moscow *EKONOMICHESKAYA GAZETA* in  
Russian No 8, Feb 89 p 17

[Article by N. Samokhvalov, Deputy Chairman of the Board, Rosagroprombank, Honored Economist of the RSFSR: "Bankers Have Fallen From Their Pedestal"]

[Text] An article, "The Kopeck Protects the Ruble," was published in the weekly magazine No 46, 1988. The article raised problems which went beyond the scope of the specific facts presented in it. It describes ways of developing a credit-finance system and its place in the economic mechanism of the agroindustrial complex. This ambiguous problem requires thorough analysis and comparison of points of view.

First of all, we shall state the problem: how could it happen that, even before adoption of government decrees concerning reorganization of the banking system, which seemed to be so well structured, operating for decades, so solid and stable, there appeared non-governmental credit institutions called financial accounting centers [FRTs] at agroindustrial formations?

The answer to this question will help us to understand the necessity for the bank reforms carried out in the country and the creation of specialized banks and determination of the direction of their development. This is more important since there is now lively discussion of these problems in the press.

#### FRTs is no accident

We shall begin with the fact that development of the USSR State Bank led to its monopolization in the area of money and credit transactions which were organically incorporated into a system of state control of the economy, predominantly on administrative-regulatory principles. From an economic agency intended, by its nature, to stimulate development of the economy, Gosbank turned into a detached onlooker and an impassive controller and its work became administrative and directive.

The economic passivity of Gosbank appeared quite clearly in its relations with the agroindustrial complex. Precisely, here appeared its non-economic intervention into the activity of kolkhozes, sovkhozes and other enterprises of the agroindustrial complex.

Instead of seeking spheres of effective credit application, Gosbank, assuming the function of a formal controller and "protector" of the validity of economic operations concluded, practically deprived the clients of the right to make independent decisions concerning the use of their

own resources. Having tens of thousands of rubles on account in the bank, the chairman of a kolkhoz or director of a sovkhoz had to go to the bank for approval with a stack of documents.

As a matter of fact, Gosbank institutions themselves disposed of the revenue of the farms and determined themselves to whom, how much, for what and for how long to grant loans without assuming any economic responsibility for the decisions made. They acted like everyone had become accustomed to this.

Suddenly this system, perhaps for the first time in decades, was disrupted deeply. In 1984, at Kuban, in Timashevskiy Rayon, an agroindustrial combine was created. It contained an [FRTs]. It assumed the functions of a credit granting institution, that is, the functions of a bank. Concentrating the funds of the enterprises, the FRTs began to grant credit and conduct intrabank calculations. Many bank workers became confused then and begun to think only that another bank had begun to operate together with the state bank but that this was a non-state credit institution. It was not the same thing!

Meanwhile, the appearance of FRTs was no accident in our economy. This, perhaps, is the country's first breakthrough to economic reform, to the development of market and commodity and money relationships in the village, to the search for radical transformations of the financial-credit system, being formed under conditions of administrative-directive methods of management of the economy.

The time and conditions urgently required radical reorganization of the country's banking system. We shall say openly that such reform was not taken to heart by everyone. Some Gosbank economists, accustomed to going along a smooth road, did not easily overcome the set forms and methods of work, resisting stereotypes. They are trying to attribute specific difficulties of the reorganization to the near collapse of the bank reform. It is typical that the published comments of most such economists contain practically no constructive suggestions for improving the credit mechanism and some call for a return to the "single" state bank.

#### Search for New Forms

First and foremost, Agroprombank institutions are trying to become business partners of farms, considering the necessity for democratization of credit and economic relationships with them. The bank gives kolkhozes, sovkhozes and other agroindustrial complex enterprises complete opportunity to be in charge of their own capital. The goal is to clear away the long-standing stratification of different bureaucratic limitations, to create for farms all conditions for productive work, to give them wide scope for business initiative and enterprise, using the developing commodity-money relationships in the village to their fullest scope.

These principles lay at the basis of conditions of crediting and financing enterprises for which centralization of control of credits is significantly weakened. Now all problems of planning, issuing and liquidating loans and payment of interest began to be solved by Agroprombank institutions on the basis of credit contracts concluded with the farms, establishing economic responsibility of the sides for fulfilling the obligations accepted.

A differentiated approach began to be used in credit relationships with agroindustrial complex enterprises depending upon how they conduct the farm and how efficiently they use credit obtained. The bank now issues loans to enterprises actively introducing profit and loss accounting in complete confidence, in proportion to the need for them, granting them many benefits. In the past year, more than 1500 enterprises of the Russian Federation agroindustrial complex received from the bank, for good work, more than 10 million rubles in the form of reduction of the interest rate for credit.

Reconstruction of credit and economic relationships with the agroindustrial complex, naturally, made it necessary for Agroprombank to solve many problems. The point is that many problems were also arising in this sector. These problems included pricing, wages, social reconstruction of the village, technical re-equipping of processing sectors, etc.. They affect, to this or that degree, the organization of finances, the formation of fixed capital and working capital. Agroprombank, naturally, cannot disregard them.

What path must be followed in order that credit is transformed into one of the most important instruments of active use of commodity-money relationships in the village? How to restore the basic principles of crediting, promptness and repayability? These problems are now at the center of attention of Agroprombank economists. One thing is clear, credits should not encourage financial losses nor losses from mismanagement.

Many Agroprombank institutions, studying causes of unprofitable and scarcely profitable operation of enterprises and organizations and the prospects of their financial soundness, reviewed their credit relationships with them. There was significant limitation of issuance of new credits to those who did not guarantee prompt repayment of loans. More than 40 farms which operate irrationally, spend capital without regard to their incomes or are found to be dependent are declared to be insolvent.

A question arises: is such a sanction always appropriate? You know the use of measures of credit influence is not an end in itself. Probably, credit support can be extended but under special conditions. In dealing with such farms, it may be proper to contract special agreements stipulating the obligation of the enterprises to take measures which ensure a way to operate without loss. Kolkhozes and sovkhozes situated under unfavorable natural-climatic conditions need this especially. Such farms, in all

probability, should be given preference during granting of long-term credits for expenditures connected with change of production direction, specialization, development of profitable sectors and solution of social problems.

We must dwell on an unsolved problem, that is, stimulation, by credit, of formation in agricultural, industrial, supply and construction enterprises and organizations of their own working capital. A clear-cut position on this important trend of organization of finances of enterprises still has not been formed in the agroindustrial complex.

It is difficult not to agree with the opinion of some economists that little is still being done for granting anti-expenditure credit. The size of loans in some sectors of the agricultural complex are determined, as they were before, by volume of expenditures and not by the end result.

Payability of credit is quite significant. Many business executives have affirmed the idea that it is possible not to pay for borrowed capital or, in any case, to pay at a minimum, practically symbolic rate. Interest-free loans have appeared and are amounting to tens of billions of rubles. Such accessibility of credit does not prompt managers of enterprises and their collectives to seek their own reserves or to use borrowed capital effectively.

It is thought that, under conditions of profit and loss accounting and self-financing, the acute necessity of giving the percent policy fundamental importance became imminent. In order for it to be flexible and maneuverable it is necessary to allow local Agroprombank enterprises greater right in the use of percent rates, the range of which should be sufficiently wide.

#### Interaction With Lease-holders

Realization of economic reform in the agroindustrial complex creates new forms of activity of Agroprombank. This involves its active participation in development of lease and cooperative relationships in the village. Now the bank is entering into direct credit and accounting relations with lease collectives, family farms and even with individual lease-holders. In many Agroprombank institutions, they, desiring to become financially independent, open current accounts. They are given short-term and long-term loans, in spite of the fact that they do not have the status of a legal person.

Opportunities of Agroprombank institutions having computer technology and experienced accountants and economists make it possible to perform credit-accounting servicing of all lease-holders and agricultural cooperatives. The Agroprombank department in Karymskiy Rayon of Chitinskaya Oblast went even further, creating, upon the request of primary cooperatives, in each kolkhoz and sovkhoz, their own branches which keep accounts of lease-holders, calculate their incomes

and expenditures, and help in observance of the profit and loss accounting procedure, in reckoning profitability and distribution of incomes. In our opinion, this long-term experiment is creating interest in many regions of the Russian Federation.

However, we cannot say that Agroprombank institutions make it completely possible to assist in development of cooperatives for production of farm products. The bank can give all of them short-term credit for only 12 months. What about those who raise cattle? You know it takes more than a year to fatten a bull. Moreover, expenditures on construction of animal husbandry buildings can hardly be repaid in 2 years, for which long-term loans are given to the cooperative.

Approval of partner relationships with the agroindustrial complex began to appear in such fundamentally new trends as participation of Agroprombank with their own funds in development of the material and technical base and the technical re-equipment of agriculture and the processing industry. More than 20 agroconsortiums are being created with participation of Agroprombank capital. A major animal husbandry complex is being constructed in Moscow with participation of the "Novyy Mir" sovkhoz, "Agropromstroy" and the "Gidromontazh". In Bashkir, Agroprombank is investing more than 2 million rubles to expand a cattle-fattening complex on "Luch" kolkhoz.

An experimental, specialized department of Agroprombank is being established at the well-known, in the country, "Koloss" association. In addition to traditional credit and cash and accounting service, this department will participate in financial planning, make delivery contracts, keep records of production sales and assume responsibility for keeping accounts with purchasers and suppliers up-to-date.

After publication of the article, "The Kopeck Protects the Ruble," we examined the experience of the work of FRTs in agroindustrial formations in Stavropol Kray and we were convinced that they needed backing. Interrelations between agricultural committees, their FRTs and Agroprombank, based on open and business-like principles, would help us to see and understand the necessity of transition to improved forms and to use the experience of other regions during this.

In Moscow Oblast, the "Voskresenskiy" agrocombine and an Agroprombank department, judging by everything, found more productive collaboration to be possible. They decided accounting, credit and reallocation operations of the farms, included in the combine, to be realized through the FRTs in departments of the bank.

The FRTs of the combine, without losing its rights and advantages, was able to avoid duplication of operations and to accelerate, due to this, calculations between farms by 2-3 days, thus saving more than 50,000 rubles on the

care of equipment and expensive computer technology. Such collaboration with the bank was established by 23 agrocombines in the RSFSR and also in Ukraine, Georgia and Kirghizia.

Operation of the USSR Agroprombank has begun. Some things have been accomplished but many unsolved problems remain. The dynamism of economic reform, including the banking system, requires a search for new, alternative solutions.

## REGIONAL DEVELOPMENT

### 'Controversial' Sajudis Stance on LiSSR Agrarian Development Defined

18240084 Moscow SELSKAYA ZHIZN in Russian  
10 Mar 89 p 2

[Interview with Vitautas Knashis in the Lithuanian Soviet Socialist Republic, by correspondent N. Lashkevich: "Freedom of Choice"; date not given; quotation marks as published]

[Text] What path for the development of agriculture does "Sajudis," the Lithuanian movement for perestroyka, propose? The following is a conversation with Vitautas Knashis, director of the Vezaiciai branch of the Institute of Agriculture of the Lithuanian Soviet Socialist Republic, and member of the agrarian commission of "Sajudis," by correspondent N. Lashkevich.

[Lashkevich] Over the last few decades agriculture, as perhaps no other sector of the national economic complex of the country, has come to bear the burden of a tendency to experiment. There were many campaigns of various sorts, but no fundamental changes have taken place. On what do you base your confidence in the success of your program? Won't it also share the fate of its predecessors?

[Knashis] Past reforms were only cosmetic "repairs"; they did not get at the heart of the matter—production relations. Moreover, they moved vertically, "from top to bottom." The departmental offices handed out a command, speculative programs for the radical improvement of agricultural production made their way down, and those at the "bottom" obediently carried out the instructions and orders.

[Lashkevich] But your agrarian program wasn't devised by tractor operators either...

[Knashis] That is correct, its principal authors were scholars, specialists, and economics managers... However, this time there was movement both "upward" and "downward." Decisions about its formulation were made at general meetings on a number of the republic's collective and state farms. We received many suggestions and improvements for the draft of the program. The



program coincides in many of its features with suggestions proposed by the administration of the republic and the Soviet of Collective Farms. Indeed, we have a common objective.

[Lashkevich] Let us turn to the concrete proposals of your program. We can start with the land...

[Knashis] The question of land is fundamental. We must return the land to the peasant by legislative means. Right now he is somewhat afraid to enter into even leasing arrangements because he cannot be sure of the future. Should new winds suddenly begin to blow, will the leased lands be taken away and will all the labor invested in them be wasted? The memory of collectivization is still alive in Lithuania, when thousands and thousands of peasant families were ruined and exiled. You cannot dismiss such doubts with slogans. Legal guarantees are necessary, a land law is necessary. In our program we advance the following thesis: the state distributes to the peasants land for use in perpetuity with the right of inheritance, but without the right of sale. It is distributed not just to anyone, but to good, sensible workers who are designated by the farmers themselves. The farmers know best who is a good manager and who is not.

[Lashkevich] And it doesn't trouble you that in practice this means a return to private ownership of land?

[Knashis] I wouldn't put it that strongly. Under the new conditions of economic management new forms of ownership will appear which have a universal character. In every instance ownership remains under the state's control. The farmers pay rental fees into the state budget, and the state sets a value on the land and closely follows how the owner utilizes the land allotted to him; and in the event of injudicious land use it applies various sanctions depending on the character of the violation. In particular, with regard to the initial worth and quality of the land, it revokes the right of ownership through the use of auctions. The state exercises sanitary and agromonomical control, and manages questions of land improvement and utilization, social insurance, etc. But it does not involve itself in the economic activities of the owner. The state may stimulate production of necessary goods, for instance allotting subsidies to provide incentives for farmers who grow products for export.

[Lashkevich] You must be suggesting a return to the individual farming style of agriculture, which was peculiar to Lithuania in the prewar years.

[Knashis] We are for a variety of forms of agricultural activities, and we are for the free choice of such forms. Life itself must determine which form is preferable: collective farms, state farms, individual farms, or cooperatives. No one is against collective farms and state farms. However we should not in my view idolize one form and cling artificially to the large collective farm. Let competition and rivalry show which is strongest. We are for natural selection.

The existing practice of forming cooperatives and individual farms within the collective or state farm with consequent payment to the farms for land and material resources is not expedient. Why should payments go to the farms and not directly to the state? In this manner a new administrative and bureaucratic structure springs up, living off the proceeds to no one's benefit. Why should leaseholders pay into collective farm treasuries R200-300 or more for one hectare? In the final analysis the land is public, state-owned! In our view the collective farm, in order to maintain its ground in competition with the individual farmer, must change into an association of cooperatives.

[Lashkevich] And in that case what is the entrance fee to a cooperative for a collective farmer if the property of the collective farm is decentralized?

[Knashis] It may be the monetary dues and contribution that a farmer makes in the procedure of a long-term utilization of personal labor in the collective farm, i.e., the sum of the goods he produced during the whole time of his work. The size of the contribution will grow in proportion to the growth in the efficiency of the cooperative or joint-stock company, if workers in the countryside want to form such a company. A portion of the profits is deducted yearly in the form of dividends. In such an event, I believe, we will be able to interest a person in the high efficiency of peasant labor. With his rights restored this farmer, or as he was once called in Lithuania, "ukininkas" (manager), will not possibly be able to change into a solitary owner, like a latter-day independent kulak: today's level of production requires a certain amount of integration and cooperation. For example, to purchase or lease equipment he will have to turn to a materials-and-machinery cooperative (I chose the name at random for this example). Possessing the right to sell the products he has grown directly to the state and on the open market, he will have to seek out a cooperative association to act as a trade intermediary. Most importantly, there must be many different types of cooperatives so that he has the possibility of a choice; this also guarantees the whole system's vitality.

[Lashkevich] Hired labor will inevitably be used on the individual farms. Many people are afraid of that: they say, "Hired men will reappear, there will be exploitation of man by man," etc.

[Knashis] That is correct, hired labor cannot be ruled out. The farmer, according to our calculations, can hire two or three workers in season. So that there is no, as you say, exploitation, the trade union must defend the interests of hired farm workers. That comes first. Secondly, why should we have such a terrible fear of hired labor? It has existed and continues to exist in agriculture, only in other forms. Or, let us examine today's cooperatives—they make extensive use of hired labor, and it does not throw anyone into a panic. What is there to fear?

[Lashkevich] And what sort of relationship will the "ukininkas"-manager have with those who process the agricultural products?

[Knashis] They too must establish themselves on the principles of freedom of choice and economic accountability, and on the basis of a mutually profitable contract. In addition to the state enterprises, it is possible to create processing cooperatives.

[Lashkevich] What rights do you foresee allotting to the individual landowners?

[Knashis] The rights to open an account at a bank; to purchase or enter into a rental contract for equipment, stock, and tools; to sell one's own produce to the state, to cooperatives or on the open market at prices reflecting supply and demand; to form cooperatives, etc. Fortunately, there are still more than 150,000 small farmsteads—they were not all torn down. Thus there exists the foundation for the development of the individual farm.

[Lashkevich] We still have not dealt with the social sphere—who is going to regulate it?

[Knashis] The local bodies of power. And social programs will be financed out of local and state budgets. I will only touch on the question of medical service. In addition to the state medical institutions, cooperative institutions, rendering a variety of services, will be allowed to function. We propose introducing the practice of "family" treatment, and partial payment for the doctors' work by the patients themselves.

[Lashkevich] You have not designated a place for the Agro-industrial Committee in your program. If you are discarding this administrative body, then what do you suggest take its place?

[Knashis] It is understood that some office must exist which will attend to the needs of the sector. A Ministry of Agriculture might carry out the following functions: supervision over the implementation of legislation pertaining to land, organization of contacts between sectors, scientific development and development of economic forecasting, preparation of scientific recommendations, organization of ties with foreign partners, etc. In the rayons, state interests are represented by the agricultural departments in the Soviets of People's Deputies. Besides, at the rayon level groups of lawyers, a consultant service, and organizations for agricultural service, functioning on the basis of economic accountability, are springing up. It is necessary to dispose of or fundamentally change all the existing instructions, norms, and plans regulating production activity. Free trade must replace state purchasing targets, limits, and funds. Scientific institutions with experimental farms and design

offices are forming a research-and-production association, "Agroscience," which devises complex scientific research programs, as a result of which strategies and tactics are formulated for the development of agriculture.

Questions of the perestroyka of the village, which you may be sure we are trying to solve in our own program, will command the attentions of the forthcoming plenum of the CPSU Central Committee. We hope that our voice will be heard too. The ideas included in the agrarian program of "Sajudis" are not the handiwork, I repeat, of just one or two people; they are shared by many scholars, specialists, and common agricultural workers, and not just in Lithuania.

**From the Editorial Office:** Publishing this article, the editorial office notes that a number of the proposals are indisputable. The decisions of the congress of farmers of "Sajudis" reflected in concentrated form the conclusions of the agrarian commission. Today in Vilnius a congress of farmers of the Lithuanian Soviet Socialist Republic is taking place, which is also discussing questions of the reorganization of agriculture and a draft of a law on peasant farms. We will publish the notes of our correspondent from the congress in one of our issues.

#### **Uzbek Academician on Solving Cotton Monoculture 'Crisis'**

18300366c Tashkent PRAVDA VOSTOKA in Russian  
26 Jan 89 p 2

[Article by M. Mukhamedzhanov, member of the UzSSR Academy of Sciences: "A Cotton 'Ariadne's Thread': It Is Taking Too Long To Lead Cotton Growing in Our Republic Out of the Blind Alleys of the Administrative-Command Labyrinth"]

[Text] During the years we have come to call the time of stagnation there was a popular anecdote about a train with the blinds pulled down in which we were all sitting and rocking from side to side, creating the illusion of motion. Yet all the while we were not going anywhere.

For decades cotton growing in our republic was in that kind of "motion." Scientists, economists and administrators confidently rocked in unison, afraid to raise their heads above the close ranks of their fellows and peek out around the edge of the blinds. It was easier and more convenient for them to breathe the air in the comfortable cars, or in their comfortable offices.

But now the blinds have been lifted, and when that happened many people quickly turned to look the other way. They still have not made up their minds to look the truth in the face.

What was it they saw?

Cotton fields worn out by monoculture. Peasants driven from their land. Rivers, lakes, soil and air polluted with industrial wastes and high concentrations of chemical toxins. The "white gold" won with the most arduous labor failing to bring a top price. "White gold"—the pride and pain of the Uzbek people—devaluated by machinations, bribery and corruption. Millions of rubles in subsidies and billions of rubles in losses. Incalculable social and moral damage. Degeneration of thousands of people's moral values, psyche and way of thinking...

Cotton, a highly valuable and expensive raw material, slowly but surely brought our republic's agroindustrial complex to the brink of bankruptcy. How could that happen in a region whose geographical and climatic conditions permit high yields from all the crops grown here with only minimal expenditures and a scientifically-based cultivation system?

Our republic's agriculture was smothered by a wave of cotton.

Scientists estimate that with its current economic production potential Uzbekistan could obtain an average of 45-50 hundredweights of cotton per hectare, 250-270 hundredweights of alfalfa hay, 700-800 hundredweights of silage, 80-100 hundredweights of corn, 600-800 hundredweights of vegetable and cucurbit crops and 200-250 hundredweights of fruit and grapes. From every 100 hectares of arable land it would be possible to produce a yield of 130-140 hundredweights of meat and 900-850 hundredweights of milk.

Today we are doing worse than this by a factor of four or five.

Our republic's per capital national income is 4,000 rubles—less than the national average by a factor of two. Our consumption of meat, milk, vegetables, cucurbits, fruit and other produce is less by a factor of between two and two-and-one-half. Our rural population consumes eight kilograms of meat per capita annually—less than in the RSFSR by a factor of eight! Each worker in our agroindustrial complex produces less per capita than our nationwide average by a factor of two, and less than the U.S. average by a factor of 10. One-third of our kolkhozes and sovkhoses are losing money, and less than one-half of our farms show a profit of more than 15 percent.

In the past two years the increase in Uzbekistan's agricultural production has barely kept pace with its rate of natural population growth.

Does that not seem like a lot of arguments to counter those who regard monoculture as the basis for our republic's economic development? Let some champions of "the people's prosperity" have their way and I am convinced that within five to ten years they will have allowed the "optimum" amount of cotton production to

exhaust the land completely and scatter our peasants to the four winds. By that time it will be too late to do anything to correct the problem.

Excessive specialization of any region in the cultivation of a single crop inevitably leads to degeneration of that crop. On a majority of farms in our republic this process is already far advanced. The sectorial structure in cultivation here has assumed a self-degenerative nature which is a far cry from scientifically-based requirements.

What have we inherited from the monoculture cult?

Of a total of 3.4 million hectares of irrigated farmland approximately one million hectares have potentially low fertility; 600,000-700,000 hectares are covered with pebbles, are located in steep adyry [low foothills bordering the Fergana depression], have thick gypsum layers, or have sandy, marshy or heavily salinized soils. Of this area half a million hectares are planted in cotton, with yields ranging from 5-20 hundredweights per hectare. Even with an average yield of 15 hundredweights this land could not yield more than 750,000 tons of cotton. The total income from one hectare would be 900-1,000 rubles as compared to costs of not less than 1,700-2,000 rubles; four to five times as much water would be required as for, say, gardens and vineyards. These lands take a bite of hundreds of millions of rubles out of farm budgets every year. So who benefits from their cultivation?

The way to increase crop yield and shore up the kolkhoz and sovkhos economy is to make a transition to economically advantageous crops, carry out purposeful land reclamation work, introduce intensive cultivation systems, enrich the soil organically by sowing more alfalfa and other fodder and food grain crops, and introduce crop rotation.

The area of poorly suited land sown in cotton must be reduced to at least 500,000 hectares. The volume of cotton procurement should be reduced accordingly by 750,000 tons. The bulk of work to fundamentally restructure cropland should be concentrated on a portion of the land thus made available.

There is an urgent need for revision of the planting structure in the old irrigation zone, where cotton monoculture still prevails, accounting for 70-75 percent of all production, with a view toward reducing cotton to a 55-60 percent share of total crop yield. The experience of the past two years has shown that in spite of a certain reduction in the volume of procurements of raw cotton in 1988 a majority of cotton-growing sovkhoses and kolkhozes did not reduce the area they sowed, this on account of their high procurement plans. This was confirmed by measurements of cropland in 12 rayons which turned up 7,000 hectares of above-plan planting. Despite last year's favorable climatic conditions cotton yield was only 26.3 hundredweights per hectare. In Andizhan and



Samarkand oblasts this figure was only 25 hundredweights. Out of a total of 112 rayons 27 obtained average yields of only 20-25 hundredweights on an area of 468,000 hectares.

The sowing of cotton on unsuitable land has further complicated our republic's economic and ecological situation. Monoculture has not only taken over the land, it has also taken control of administrators' minds and way of thinking.

In view of all this it would be appropriate to reduce the area sown to cotton in the old irrigation zone to 150,000 hectares. Over the long term, as yields increase, the average proportion of cotton in our republic's agricultural system should be reduced to 50 percent.

Thus all that needs to be done is to reduce cotton planting by an area of 650,000 hectares and the volume of raw cotton procurements by 1.2 million tons. This would permit the cultivation of cotton on an area of 1.4-1.5 million hectares and the production of 4-4.2 million tons of cotton in 1989-90, with an average yield of 28-30 hundredweights per hectare.

Will revision of the sectorial structure of the agroindustrial complex and a reduction in the area of cotton planted result, as some specialists feel, in a decrease in our total income? The answer to this question is provided by Savay Sovkhoz in Andizhan Oblast. Due to a loss of soil fertility it was forced to reduce cotton production to 40 percent of its total production volume. It is estimated that the sovkhoz's total income increased from 13 million to 21-22 million rubles within five years through development of vegetable farming and fodder production.

Starting this year all the subdepartments of our republic Gosagroprom will make the transition to full cost-accounting. Under these conditions the market and actual demand can and should regulate agricultural production.

Then it will be possible to exclude the principle of "plan fulfillment at any price" from management practice and weaken the grip of monoculture.

I hope that that is what will happen. Reduction of the area of cotton planted is not a whim on the part of scientists and economists; it is the only means of bringing cotton growing out of a protracted state of crisis. The heads of USSR Gosplan and Gosagroprom realize that this is an objective necessity, yet they continue to do everything in their power to bend republic ministries and departments to their will; they do not want to lift the too-heavy cotton burden from our republic, a burden that is being borne at the cost of irreparable damage. In the process narrow departmental interests are passed off as the interests of the state as a whole. Republic administrative organs, the agroindustrial complex and the UzSSR Council of Ministers as well are often told what to do by the "center."

For many years cotton growing in our republic was conducted in the shadows of administrative-command labyrinths in a search for ways to reach the mythical six-million mark. But the corridors of uncontrolled power and the exchange of favors between administrators and speculators from the scientific community inevitably lead into blind alleys. The "Ariadne's thread" which heroes in search of the way out of the "cotton affairs" has begun to break more and more often...

Glasnost and democratization of all aspects of Soviet society have given us a unique opportunity to discuss together one of Uzbekistan's most important economic and social problems. We must not waste this chance. The decision that will be made depends on us, on every citizen of our republic.

**Editor's note:** We are publishing this article as part of the discussion in preparation for the upcoming CPSU Central Committee Plenum, and we invite specialists and administrators from farms and party, soviet and planning organs to express their opinions on this matter.

## POLICY, ORGANIZATION

**More Effective Pricing Advocated for Trade Sector**  
18270068 Moscow SOVETSKAYA TORGOVLYA in  
Russian No 2, Feb 89 pp 2-3, 5, 6

[Article by Ye. A. Gumilevskaya, senior scientific associate, VNIET-sistem: "Paradoxes of the Contract Price"]

[Text] The development of economic management methods provides for a substantial expansion of the sphere of application of contract prices. These prices make it possible to best combine the economic interests of the producer and consumer, and to increase responsibility for the assortment and quality of output.

Contract prices for especially popular products, and initial experimental batches of goods, are employed most widely in light industry. Compared with 1982, the quantity of production of such products in 1987 increased 28-fold; compared with 1985, four-fold; and with 1986, three-fold. However, the share of especially popular goods sold at contract prices in 1987 was only 5.3 percent of the overall quantity of production of USSR Minlegprom [Ministry of Light Industry] output.

It is clear that the importance of contract prices under conditions of the increased dynamism and selectivity of consumer demand, accelerated replacement of product assortment, and reduced share of state orders must increase.

We should, however, not be talking about a mere increase in the quantities of production of goods at contract prices in value terms, toward which light industry enterprises are essentially oriented at the present time. Such an approach is largely administrative. If it is not based on the real capabilities of the enterprises, it leads to a mechanical increase in prices, while the quality and assortment of goods worsens.

As an investigation of light industry and trade enterprises in the RSFSR, and the Ukrainian, Belorussian and Latvian union republics showed, the level of contract prices for shoes exceeds by 20-300 percent the level of prices for the ordinary variety of similar products; for clothing products by 20-85 percent; and for knitted wear by 20-70 percent. The high level of contract prices seemingly should provide for an improvement in the assortment and quality of products. However, often this does not happen. Discounting of such goods and their return to the suppliers indicate the low quality of goods being sold at contract prices, and their lack of correspondence to consumer demand. Thus, in 1987 the overall sum of discounted goods and goods returned to industry at contract prices was: in Moda stores, 1,020,600 rubles in Moscow, 529,700 rubles in Minsk, 287,900 rubles in Kiev, and 303,800 rubles in Lvov; in the Riga Astra and Laymdota stores, 396,600 and 62,000 rubles respectively; and in the Minsk House of Trade, Tovary dlya

molodezhi [Goods for Young People], 319,500 rubles. The share of such goods in the overall quantity of arriving products being sold at contract prices fluctuates between 1 and 20 percent in the stores investigated.

The very mechanism of their formation contributes to the rise in contract prices. It has no objective foundation. First some "ceiling" contract price is established, and then already, based on its amount, a retail price is calculated. In addition, minimum additional industry profit is limited (no less than 15 percent for a contract price up to 100 rubles, and 10 percent for a price over 100 rubles), as is the contract markup compared with the price of a similar product (no less than 30 percent). This forces the enterprise producing such products to artificially increase the amount of the contract price.

Trade, called upon to stand watch over the interests of the consumers, does not oppose as it should the tendency for unjustified price rises. First, under conditions of a shortage of popular products, trade, with a set contract price level, depends on the suppliers. Second, although its opinion on the amount of the contract price should be based on prior study of the demand being formed for the item, this demand is either not studied at all, or is studied formalistically. Third, the commercial enterprises themselves are interested in raising the contract prices, since this has a positive influence on increasing goods turnover. Finally, fourth, responsibility for making up losses from reduction of prices for especially popular goods is placed entirely on industry. Therefore, trade risks little from setting even an extremely high contract price level.

Chasing after production volume (fulfillment of production and goods turnover plans) is what motivates the production and sale of goods at these most uncontrollably high contract prices. At the same time, the existing system for stimulating their production and sale does not create real economic interest on the part of industrial and trade enterprises. This conclusion, at first glance, may be puzzling.

It is true that the additional profits realized from the sale of goods at contract prices, received by USSR Minlegprom enterprises in 1987, was 270,000,000 rubles, more than twice the amount in 1984. In terms of individual light industry enterprises, this data is still more convincing. The share of additional profit in the overall profit balance of the Moscow Zarya Shoe Association increased from 2.1 percent in 1985 to 21.2 percent in 1987; that of the Moscow Association for Production of Outerwear increased from 7.5 to 20.4 percent; that of the republic House of Models of Knitted Wear Products (Minsk) from 1.2 to 22.9 percent; and that of the Riga House of Models from 8.6 to 23.8 percent, etc. However, in and of itself, the receipt of funds still says nothing. What is important is the system of their distribution and use. Let us look at it.

Fifteen percent of the additional profit goes to providing bonuses to workers for manufacture of goods at contract prices. We note that for production of improved quality goods with index "N" at provisional prices, the percentage of allotments is the same, although the labor intensiveness of their production and demand for quality are lower. If it is considered that industries are granted broad authority to establish provisional prices, it becomes clear that the quantities of production and amount of allotments for bonuses for manufacture of goods with index "N" exceed similar indices for goods sold at contract prices. In the enterprises investigated (besides the Moscow Association for Manufacture of Outerwear) this excess ranges from 6 to 400 percent. Calculated based on each worker, the ratio of these allocations is also not in favor of goods for which contract prices are used. For example, in the Minsk Industrial Clothing Association imeni Krupskaya, in 1987, 289 rubles, or 24 rubles per month, were allocated to each worker in bonuses for manufacture of new goods, while only 59 rubles, or approximately 5 rubles per month, were allocated for the production of goods at contract prices.

In addition, the bonus fund for production of goods at contract prices is not fully used. Thus, in the Lvov Mayak Clothing Association, in 1985-1987 the funds allocated for bonuses for aggregate output of goods at contract and provisional prices was not paid at all, and in the other investigated associations and houses of models, they were only 12-80 percent used. The reason for this situation is the limitations introduced on the amount of the bonuses. In accordance with them, the maximum amount of bonuses to the collective of a brigade, shop, or structural subunit, cannot be higher than the maximum amount of bonuses according to the special bonus systems (to which are also related bonuses for aggregate output of goods at contract and provisional prices). This maximum amount is equal to 2.6 position salaries per year. Thus, it is more advantageous for manufacturers to receive the entire possible amount of bonuses for production of goods at contract and provisional prices solely for production of goods with index "N," which, we repeat, is less labor intensive.

The funds that go from additional profit into the production development fund also, in the majority of cases, are not used fully and are not used for their intended purpose (the intended purpose is for development of the production of goods at contract prices, improvement of assortment and quality of these goods, and development of new technology for their manufacture). This is associated with the fact that it is not enough only to have funds. It is necessary for these funds to be supported by the appropriate raw materials, materials, modern equipment, etc. But, as long as the system for funding resources and equipment is retained, funds are allocated for them in advance, before the beginning of the planning year, and often in an amount that does not cover the demand. Thus, it is essentially impossible for production funds to expand production, under conditions of an

undeveloped retail trade system. Therefore, it is more advantageous for enterprises to direct funds from additional profit into the social development fund. (Apropos of this, it is rather difficult for enterprises to use monies in the social development funds fully either, due to the lack of needed material resources and contractors.)

Besides this, the interests of industrial enterprises in manufacturing goods at contract prices is also insufficient due to the distribution and use of normative and additional profit along various channels. Whereas 55 percent of additional profit remains at the disposal of the enterprises, only 10-35 percent of the normative profit remains (in light industry the norms for allocations to the budget and higher organizations are high). Thus, additional profit is more advantageous to enterprises than normative profit. However, they cannot increase additional profit at the expense of reducing normative profit within the framework of one and the same contract price, since if this were done the cost for manufacturing the products may not be paid back; i.e., the normative and the additional profit are artificially set off against one another.

That is the way matters are in industry. And what about in trade?

Economic incentive for sale of goods at contract prices must now be realized by granting the manufacturing enterprises increased discounts, differentiated for especially popular goods up to 20 percent, and for initial experimental batches up to 50 percent. These discounts must be determined by agreement between industry and trade. However, in practice such factors as the quality of the goods, popular demand, seasonal nature of production and sale, expenses of the trading enterprise for advertising, sale and storage of products, which in the aggregate determine the percentage of differentiation of trade discounts, are not considered. For example, the Minsk Industrial Clothing Association imeni Krupskaya gives a single additional trade discount in the amount of 0.7 percent for all goods produced; the Moscow Zarya Shoe Association gives 1.2 percent. Establishment of discounts is thus subjective, and depends on the manufacturing enterprise.

Under the existing mechanism for the formation of contract prices and distribution of incomes received, the manufacturing enterprises are not interested in providing incentives to their trading partners, since an increase in the amount of the trade discount reduces the amount of additional profit in the contract price structure. The interests of trade are especially infringed upon when industry signs a protocol for agreement on the contract price with the wholesale base (in inter-oblast and inter-republic deliveries). This is because the wholesale level is far from the consumer and does not adequately know demand. It is also because its employees are little interested in the expenses of the retail trade enterprises for storage, sales and advertising; the wholesale base itself



only distributes especially popular products among the retail trade enterprises, and is not interested in the subsequent fate of the goods.

The economic conditions of the work of enterprises selling especially popular goods are not identical. The Moda and the *Tovary dlya molodezhi* stores, and industrial outlet stores, have the right of first selection and purchase of goods at contract prices, and, consequently, the share of such goods in their commodity turnover is substantial. In 1987 it constituted 72 percent in the Moscow Moda store; 35 percent in the Minsk store; 47 percent in Lvov, etc. The size of the trade discounts granted to these trade enterprises also usually exceeds the amount of the discount that industry gives to the rest of its trading partners. Therefore, the share of additional income in the overall gross income of these trade enterprises is substantially higher than, for example, in the department stores (in the Moscow Moda store—25 percent; and in GUM—only 1.2 percent). This means that the allotment for bonuses and advertising from additional trade discounts in the department stores is also not high. And they comprise a significant portion of the trading network selling goods at contract prices.

And how is the additional trade discount distributed? Until recently 65 percent of the funds went to the goods discount fund, 20 percent to advertising, and 15 percent to bonuses for the workers. Now, for especially popular goods, there is a different distribution: 60 percent must be used for advertising the products, and 40 percent for bonuses. However, the new procedure apparently will not be able to increase significantly the interest of trading organizations in selling products at contract prices. This conclusion is based on the fact that even the 20 percent of additional trade discount that went for advertising, and the 15 percent for bonuses, could not always be used purposefully, due to existing limitations.

Thus in the Moda store (Moscow) in 1987 funds for advertising were allotted regularly. However, they could not be used, due to the fact that the Moscow-Lenin Department Store, of which Moda is an affiliate, did not allow them to be spent for advertising at the discretion of the store itself, and hampered the conclusion of agreements with organizations doing the advertising. The same thing happened in the Moda stores in Minsk and Lvov, at Astra and Laymdota in Riga, and in the other investigated trade enterprises. Therefore, if now not 20 percent, but 60 percent of the additional trade discount will be allotted for advertising, but limitations imposed by higher organs remain, the quality of advertising will not improve, and the quantity of advertised measures will not increase.

A similar conclusion can be drawn with respect to bonuses. A procedure exists that provides for payment of bonuses for stepping up the sale of goods at contract prices, regardless of fulfillment of the plan by other indices. However, the overall amount of bonuses being paid to one worker must not exceed three quarters of a

month's salary (wage) per quarter. The funds not used during the year for bonuses are subject to transfer at the end of the year to the production and social development fund.

As a result the following occurs. If the amount of additional income from the sale of goods at contract prices is small, the amount of bonuses is also small. For example, in the capital department stores *Moskvichka* and *Pervomayskiy*, bonuses for sale of goods at contract prices were paid at a level of only 3.7 and 0.4 rubles per worker per month. And this was under the condition that the bonus fund was almost completely used. And those trade enterprises that received substantial additional income from the sale of goods at contract prices, and have substantial allocations for bonuses, cannot pay these bonuses completely, due to limitations in their amount. In the majority of the trade enterprises investigated, this bonus fund was used at a level of 17-62 percent.

Increasing the amount of allocations for bonuses of trade workers from 15 to 40 percent may turn out to be merely a formal permission, which in practice will be impossible to realize. Transfer of unused funds for bonuses into the production and social development fund at the end of the year may lead only to their stockpiling, since, due to a lack of material resources and contracting organizations, they will not be able to be used.

In addition, in trade as in industry, a different procedure exists for distribution of the normative and the additional trade discount, which creates unnecessary difficulty in accounting, and under the new management conditions seems unnecessary.

Finally, one more very serious shortcoming in the existing contract price mechanism is the fact that the consumer virtually cannot influence their level, or the assortment and quality of goods sold at these prices. You see, the incomes of the manufacturing enterprises and trading enterprises are in no way linked to consumer demand. Even the time periods for sale of especially popular products, after which the question of reducing contract prices can be examined, is essentially determined by the producer, who strives to lengthen it. This is associated with the continuing shortage of goods, lack of competitiveness of enterprises, and consequently, also the dictates of industry.

And so, what conclusions can be drawn?

In order to increase the role of contract prices, and expand the practice of their use, it is necessary to solve a number of tasks. On the one hand, the incentive role of the contract price should be increased, and on the other hand, consumer influence should be achieved on the end results of the work of industrial and trade enterprises, and on the level of contract prices and incomes from the sale of especially popular goods, depending on the correspondence of the products to consumer demands. The

development of economic accountability and economic management methods is necessary; without them the use of contract prices has no real basis.

To increase the economic justification for contract prices, it is necessary to determine their base, below which the production and sale of new products is economically disadvantageous to industry and trade. For this purpose the manufacturing enterprise must carry out a calculation of the minimum price of the new product, according to the general scheme for determining retail prices. The minimum price must be the foundation in determining the contract price. The trade and wholesale contract price discount, established taking into account quality, the degree of novelty of the product, its correspondence to fashion, the amount of output of the delivery, and the correlation of supply and demand, must be made in the same amount as in the minimum price. The amount of additional industry profit and level of contract markup, and especially their minimums, must not be regulated.

To strengthen the incentive role of the contract price, it is advisable, in our view, to use a single principle for distribution of normative and additional profit of the manufacturing enterprise, and to establish unified norms for allocations into the budget (40 percent) and to the higher organization (5 percent). From the remaining profit at the disposal of the enterprise, it is necessary to provide incentive to the subcontractors (up to 10 percent), put 5 percent in the price risk fund to recover losses from reduction of contract prices, give 30 percent as bonuses to the workers, place 30 percent in the production development fund, and put the remainder in the social development fund. Limitations on the amount of bonuses should be removed.

It is time to shift away from differentiation of trade discounts, to normative distribution between industry and trade of additional income, formed in the contract price as a result of its increase over the minimum price. The relationship between the components of additional income may be thus: 75 percent to industry and 25 percent to trade.

Gross income of trade from the sale of goods at contract prices, which consists of the normative trade discount and part of the additional income, should be distributed in a unified way within the overall gross income of the trade enterprises. Limitations on the overall amount of bonuses of trade workers should be removed.

In order to strengthen the role of consumers in affecting the level of contract prices, the amount of income of industrial and trade enterprises should be linked to the intensity of sale, which characterizes the degree to which the goods correspond to consumer demand. (It is defined as the ratio of supplies of goods to their overall arrival, at the end of an agreed term of action of the contract price). As the index of intensity of sale declines, it is necessary, according to a definite scale, to reduce the amount of

additional income in the contract price (and consequently, also the amount of the price itself). It is advisable to carry out this reduction at the expense of monies of the inter-branch price risk fund, which is formed from the monies of similar funds of the trade enterprise and supplier enterprises. The trading enterprise should reduce contract prices at the expense of monies in this fund, without receiving concurrence of the supplier.

*When this issue was already composed, measures for improving the procedure for establishing contract prices became known. This may make it possible to eliminate the paradoxes discussed in the article.*

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## GOODS PRODUCTION, DISTRIBUTION

### Trade Official Answers Readers' Queries On Imported Goods Deficit

18270039a Moscow ARGUMENTY I FAKTY in Russian No 1, 6-12 Jan 89 pp 4-5

[Interview with USSR Deputy Minister for Trade A. Sarukhanov by correspondent T. Korostikova; date and place not specified: "What Does the Impending Year Have in Store for us?"]

[Text] The noticeably increasing deficit in imported goods has brought about a flood of letters in which the readers ask whether or not it is possible for this situation to be corrected.

Our correspondent T. Korostikova has asked the USSR Deputy Minister for Trade S. Sarukhanov to respond to these letters.

[Korostikova] "Even in the past, we were never spoiled by imported goods and now they have quite disappeared from the sales counters. Is it possible that purchases from abroad have been ruled out entirely?" asks V. Sukhamova in Kursk. "But indeed our industry is not satisfying the demand for goods in terms of quantity and particularly in terms of quality, while fulfilling its plans by means of growth in prices."

[Sarukhanov] It bears mentioning that the amounts we purchased from abroad have not been all that small. The proportions for imported goods in 1985 were as follows: sewn products—28 percent, knitted goods—29 percent, leather footwear—37 percent. At the present time, they have declined to 18, 25 and 30 percent respectively. Thus the purchasing of imported goods has not been terminated, but rather it declined by 8 billion rubles worth in 1987-1988 compared to 1985. We have begun purchasing less fabric by 62 million meters, sewn products—by 2.3 billion rubles worth, knitted goods—570 million rubles worth, leather footwear—by 14.3 million

pairs or by the amount of 980 million rubles worth. This also applies to individual commodities of a cultural-domestic and economic nature.

The reduction in the purchase volumes for imported overcoats, short coats, raincoats made out of various fabrics and jackets is arousing special concern, since the domestic industry is not making up these deficiencies. In 1988, the overall resources of these goods declined compared to 1987: overcoats from woolen fabrics—by 1 million units, raincoats—by the same amount and jackets—by 6 million units.

But the prices are increasing and aiding industry and ourselves in fulfilling the plans—we have no objection against this. The volume of products in retail prices at enterprises of USSR Minlegprom [Ministry of Light Industry] increased by 4.3 billion rubles compared to the January-September period of 1987, or by 8 percent. Moreover, the production of especially fashionable products, sold on the basis of contractual prices, increased by a factor of 2.4 (3.1 billion rubles) and goods of improved quality with the index "N"—by 26 percent (3.2 billion rubles). And the production of clothing and footwear for which there is a high demand declined by 6 percent or by 2 billion rubles.

[Korostikova] Does this mean that the readers are correct when they write in to state that the trade is also interested in growth in prices and supports industry in its desire to solve its own problems at the expense of the consumer? Particularly at the present time when imports, which have always been profitable, have become less and less in volume.

[Sarukhanov] This year the amount of goods we handled was down by 3.5 billion rubles worth. This entailed the involvement in commodity turnover of supplies which were reduced by 3 billion rubles and which at the present time are lower than the norm by 9 billion rubles.

At fairs, fights are being waged over products which have even the slightest value and at times over any and all products. Under such conditions, are we entitled to select, protest or not agree? Thus it could be said that growth in prices is for us a forced blessing. Moreover, this indeed is not the chief item of our income.

In 1988, for the very first time over the past 6 years, during the period from January to October, we overfulfilled the plan for retail commodity turnover by 1,350,000,000 rubles (compared to the corresponding period for last year). Commodity turnover increased in comparable prices by 17.8 billion rubles or by 6.3 percent. This included the fruits of cost accounting, which required a search for and the utilization of reserves.

What do I have in mind? First of all, the organization of sales for 328 million rubles worth of products produced by cooperatives and individuals. Commodity turnover

was increased by 126 million rubles owing to the sale of non-standard products and the waste products of production and 671 million rubles worth of industrial goods for which there is a rapid demand were sold through food stores. The sale of transport souvenirs furnished 27 billion rubles. Compared to the same period for last year, these figures increased by 321, 34, 222 and 15 million rubles.

Public catering enterprises increased their supply of products to the retail network by 250 million rubles.

[Korostikova] Suren Yefremovich, is it not true that the chief question exciting our readers is whether or not the purchases of imported goods will be increased next year?

[Sarukhanov] In accordance with the plan for 1989, the deliveries of imported goods must increase by 0.5 percent (in all, 21.7 billion rubles worth will be purchased) and this is clearly inadequate.

Imports of knitted goods will increase slightly—by 18 million rubles worth and rubber footwear—by 19 million rubles.

[Korostikova] What goods and from what countries will they be purchased?

[Sarukhanov] The imported goods will consist mainly of products which are not being produced by our domestic industry or which are not satisfying adequately the needs of our internal market. Socialist countries constitute our principal suppliers. The proportion of such imports exceeds 75 percent. In recent years, the purchases of goods from capitalist countries have been declining while those from developing countries have been increasing.

[Korostikova] Generally speaking and judging from all appearances, there seems to be no basis for optimism.

[Sarukhanov] We are pinning our hopes on bartering, which in recent years has become an important source for bringing imported goods into the internal market. During the 12th Five-Year Plan, the volume of bartering operations increased by a factor of 1.8, with the annual increase amounting to 12-15 percent.

This year, bartering will supply the trade with goods from 13 countries, mainly socialist states, with the total amount being in excess of 800 million rubles (30 percent more than in 1987).

Bartering will provide us with a broad nomenclature of sewing and knitted goods, leather and athletic footwear, perfumes and cosmetics, furniture, wallpaper, paints, canned meats and vegetables, juices, confectionery and grocery products and other goods for which there is a raised demand among the population.



The bartering operations are being carried out by Mintorg [Ministry of Trade], by enterprises and organizations of all of the socialist countries, by 11 border oblasts of the USSR and by more than 100 department stores. At the present time, approximately 300 trade enterprises have established direct contacts with six socialist countries. They signed contracts for the exchange of more than 230 million rubles worth of goods in 1988. Large department stores throughout the country such as Moscow's GUM [State Department Store], TsUM [Central Department Store] and department stores in the capitals of union republics are operating on the basis of direct contacts. This year alone, as a result of direct bartering operations, the purchasers will obtain additional imported goods valued at more than 150 million rubles.

Consideration is being given to the possibility of enlarging the border bartering operations considerably and of creating zones for free (duty-free) trade in the border oblasts.

[Korostikova] Suren Yefremovich, according to what principle are imported goods distributed? Who stands to gain (populated points, special categories of people)? Will any changes be implemented in the distribution system?

[Sarukhanov] The resources of imported goods are distributed among the union republics in conformity with allocated market funds. Here the advantage lies with Moscow, Leningrad and the capitals of union republics.

As a rule, the imported goods are sold in large department stores, specialized stores and also in connection with the organization of a mobile trade at industrial enterprises, construction projects and others.

No changes are anticipated in the distribution system for imported goods.

### **Economist Explains Reasons for Lack of Inexpensive Goods**

18270058 Moscow OGONEK in Russian  
No 3, 14-21 Jan 89 pp 12-13

[Article by Gavril Popov, doctor of economic sciences, professor, under rubric "Perestroika Department: Dialogue With the Reader": "Expensive Pleasure"]

[Text] "Perestroika Department: Dialogue With the Reader" will be the name of a new department in OGONEK. The need to have a scientific interpretation of the processes of perestroika and for having discussed on the pages of the magazine today's events and phenomena, which have been multiplied by the reader's continuing keen interest in the social and economic problems of our life, is what has brought this new department to life.

How has the preparation for the forthcoming election to the soviets been proceeding? Are the adopted amendments and changes to the USSR Constitution taking on any real

flesh? What is our subsistence wage? Why has the ruble's purchasing power been falling? Where are the inexpensive goods disappearing to? What effect will the forthcoming price reform have on the public's standard of living? What are the advantages and costs of the cooperative system that is building up momentum? These and other vitally important questions of social and economic policy will be answered by the materials published in our new department.

### **How Inexpensive Articles Disappear at State Enterprises**

The newspapers, radio, and television are completely filled with items linked with the disappearance of inexpensive article. Actually, where can one find inexpensive soap? Where are inexpensive children's winter coats? Why do I have to purchase for my daily life an expensive wristwatch that is practically bulletproof? Why is a sofa, which used to cost 150 rubles, now replacing the completely acceptable upholstery fabric by a very expensive one, so that now that sofa can only be bought for 250-300 rubles?

The answer would seem to come automatically: perestroika has begun, and the economic mechanism is being introduced. When things were being rigidly administered, everything was inexpensive, and no consideration was taken of the money. But have we now expanded the enterprises' rights? Do they have a stronger self-interest in increasing their income? Yes, they do. So, what would you like? You'll have plenty when the real market appears! So just keep your hopes up!

But those who do not want to keep their hopes up are demanding decisive administrative measures. They want the plant directors to be called on the administrative carpet at the ministry, and they want them to be reminded at the oblast committee that their party membership card has by no means been sewn onto their suit.

I shall not comment on the topic of the cheap prices under the Administrative System—one should not forget how much of what products were taken away from the kolkhozes, how much was extracted from the environment, or how the thing that was valued least of all was the life of each of us...

Nor shall I ask this question: in countries with a market economy, what does it cost to have plenty of goods—in any case, enough to meet the purchaser's needs?

This is not the time—after three years of perestroika—to remind certain of its "forgetful" critics of how many times, during the years of the past, that various items disappeared—quilted fabrics, terry cloth, inexpensive chinaware, ordinary drinking glasses. I could tell how, during the Brezhnev years, a certain worker sent the party's Central Committee two portraits of V. I. Lenin—

one produced in 1965 and the other in 1980. The portraits were identical, the paper and the ink were the same, but as for the prices...

But I am getting away from the main idea: if the economic mechanism that is being introduced could not prevent the further development of the process of disappearance of inexpensive goods, which process was typical of the era of the Administrative System, then the solution can be found only on the paths of the development of the economic mechanism itself.

But before giving answers to these problems, it is necessary to look a bit more carefully at the practical situation.

All right, then, we are introducing independence, self-interestedness, the market... As an economist, I know that in this mechanism prices can increase sharply if a particular producer becomes a monopolist. But our enterprises continue to this day to walk around fettered by state production orders, limits, centralized prices, and quotas. Thus, their monopoly attitude cannot yet be the chief reason for the disappearance of inexpensive soap, inasmuch as that attitude has been suppressed by the monopoly attitude of the center.

Where, then, lies the problem? Actually, complete cost accountability predetermines the interest in achieving a benefit. But what kind of benefit? Benefit and price are different things. With normative cost accountability (which is typical today), the benefit is the profit, that is, the difference between the price and the production costs. If, in a single ruble of the price of inexpensive soap, the profit constitutes 5 kopecks and in a ruble of the price of expensive soap it is 3 kopecks, then, all other conditions being equal, it is more profitable to make the inexpensive soap. And an expensive overcoat will be produced not because it is expensive, but only when every ruble in the price of that overcoat brings in a relatively greater profit than every ruble in the price of an inexpensive one.

Why is it, then, we constantly produce specifically the expensive items? There is just one answer: we do not have complete cost accountability. It is not profit, in and of itself, that our enterprises are interested in—otherwise they would have also produced inexpensive items—as is the situation everywhere in the world of the market economy, independence, and the consumers' demand. But in our country we still do not have either a genuine market or demand as a decisive factor. We continue to have the previous goal, which is logical for the administrative method—achieving an increase in the production volumes, whether they be in tons or in rubles. The goal that predominates is the one which is jocularly called "Valovoy's 'val'" [play on words: "Valovoy's gross"], in order to give credit to one of the irreconcilable critics of the gross mentality, D. Valovoy, who recently made a statement in OGONEK. And it is only in the light of volumetric indicators that the computation of the enterprise's profit begins.

But in the world of the gross mentality, inexpensive soap is always less acceptable than expensive soap, especially if it is made from almost the identical raw materials and on one and the same equipment. In that world of the gross mentality, any method of inflating the price is also justified. And if that cannot be done, then the only thing left is simply to stop producing the inexpensive item.

The center thinks about increasing the production volumes of commodities. Total amounts of rubles are forced by the ministries, and they, in turn, "pass them down" to the enterprises. On paper it looks like an increase, and one can assuage oneself by saying: the billions of rubles of wages are "covered" by the billions of rubles of output. But how, in life, does one collect those billions? Sooner or later, the line comes down to the inexpensive soap. There is no other logic in this system.

A rather large number of organizations have been making their contribution to the disappearance of inexpensive commodities. Gosplan issues state production orders for commodities with a total value of billions of rubles. Gossnab "does not see" that those production orders are not supported by resources. Goskomsen [State Committee on Prices] "covers" its eyes to the fact that the prices of expensive commodities include a larger profit factor than the prices of the inexpensive ones. The ministries "forget" to include in the detailed state production order specifically the inexpensive articles. And all this is for the sake of volumes, for the sake of the five-year plan, "for the sake of the nation..."

As a result, only one path has been programmed for the enterprises: to "produce" as many rubles as possible, even by replacing the upholstery fabric on furniture or the collar on an inexpensive overcoat.

One asks why the centralized departments and ministries act this way. Certainly they can see what is going on. As a rule, they see, although the percentage of persons suffering from departmental blindness is very great and cannot even be overcome by my good friend Svyatoslav Fedorov, with all his conveyor belts... But those who do see, it turns out, are not ready actually to change over to the truly new economic mechanism.

Therefore it was not perestroika that made the inexpensive soap disappear. Inexpensive items, as was the case during all the previous five-year plans, continue to disappear wherever the economic apparatus of the Administrative System succeeds in "saddling" the perestroika.

And until we get rid of that "horseman," we are doomed to see the disappearance of inexpensive commodities and to hear appeals to the administrative knout to defend the interests of the nation. But on the basis of the bitter experience of previous years we know that the slightest concessions to the administrative approach in the economy, regardless of what sensible goals they cover

themselves with, inevitably disrupt the overall perestroika in the economy and simultaneously lead to the preservation of the administrative approach in other spheres of society.

### How Low Prices Disappear in the Cooperative System

Many people are indignant when a tiny meat-filled pastry costs 50 kopecks. Or when Soviet-produced soccer balls that used to cost 10 rubles now cost 30 rubles because "non-Soviet" words are printed on them. In these instances the steady winds of criticism blow in the direction of the high prices, but real storms arise when the prices at cooperatives are—would you believe?—lower than the state ones.

Here is a fresh example. A Kishinev organization plans a mechanization and automation system for accounting. It is an organization operating under cost accountability, and it renders services in exchange for payment. For one of the operations, that was ordered along the Gosagroprom [State Agroindustry] line, it has requested 1.5 million rubles. But the Temp Cooperative (which includes a number of workers from the same organization) has requested only 400,000 rubles for approximately the same work. In other situations also, that cooperative has undertaken to fulfill production orders at prices that are from one-third to one-half lower, and in production times that are from one-fourth to one-half shorter. This provides all the conditions for conflict. There was an expanded session conducted by the administrators, the council of the labor collective, and the trade-union committee. The attempt was made to locate proof of "industrial espionage," and the stealing of the "firm's secrets." The case went as high as the procurator's office. And this entire storm of persecutions aimed at the cooperative members was caused by just one thing: it had forced the reduction of the prices of the operations. Thus, for a plan that had been originally evaluated at 1.5 million rubles, they could not ask only for 300,000. The cooperative—simply by its existence—had saved the government 1.2 million rubles.

Here is another example. In a certain southern city—Odessa, I think—photographers in a cooperative set as the rate for the services during marriage ceremonies a price that was substantially lower than that of the photographers from a state organization. Do you think that the local agencies would have been delighted at the low prices? No, they came down with full force on the cooperative.

Here is a third example. In a certain city, motor enthusiasts created a cooperative. That is an ordinary situation, because there are never enough taxis. But the members of the cooperative got a cool reception from the taxi operators. That also is natural, because who loves competitors? But what happened after that is something new. The members of the cooperative encroached upon the holy of holies: they dropped the rates per kilometer of the taxi run and per hour of standing. And immediately

the members of the cooperative were attacked by the leadership at the city's ispolkom. That leadership, of course, was not opposed to the cooperative. It was only in favor of subordinating the cooperative members to the taxi pool. And they did that, forcing them to live in accordance with the taxi-pool standards, and the question of the low prices went by the wayside, so that the cooperative, in effect, fell to pieces.

And a fourth example. How, except by the government's desire to guarantee ahead of time overstated prices for the cooperative members, can one explain the fact that the price of a KamAZ, for example, for members of a construction cooperative is 5 times higher than the price of the same vehicle for a state construction organization? Or if the cooperatives buy sugar and flour at retail price, but the public-nutrition enterprise buys those products with a markdown, respectively, of 25 and 35 percent? The public-nutrition enterprise gets meat for its meat pies at a discount of 15 percent, but cooperative members are not even allowed in the store. "Go to the market!", they are told. And yet there are materials which do not exist at all at the market, but the cooperative members are not authorized to purchase them from state organizations. Hence the high prices set by the cooperative members, or, rather, it is we who are paying the government for all these "little problems." At the same time we are also paying for the roundabout "methods" that result from these little problems, methods by means of which the cooperative members "just happen to find" in the state system not only meat, but also other items on the "banned" list. But the result is the same: the state previously puts the cooperative system in a position that is from the idea of reducing prices.

What is the source of this hatred of the very idea of cooperative prices that are lower than the state prices?

It may be that it is a matter of wanting to give the cooperatives a little "clipping," or, rather, by means of them, to give your income and mine a little clipping. This factor, of course, does exist. But one cannot absolutize it, because the motor enthusiasts' cooperative that was squelched by the city's ispolkom paid a considerable amount of money to that very same city ispolkom. So it seems that it is a matter not of concern for getting a large income from the cooperative. There is something else here.

I am not inclined to be satisfied with explanations of the type that certain figures at the local agencies "got fatter" at the expense of the taxi operators and the photographers in the state studio, by using illegal channels. That may indeed be so. But if we are to speak honestly, those figures could also be "getting fatter" at the expense of the cooperative members. Why, then, are the state organizations "nicer" to them?

There are deeply underlying, major factors. When the cooperative members' prices are higher than the state prices, the monopoly and omnipotence of the state sector



are not disturbed. The cooperative members are branded, but they are tolerated, since they supplement and make up for those things to which the government's "hands don't reach."

And so, if the cooperative members' prices are lower than the state prices, then it is not simply the taxi operator or the photographer who is threatened. It is not simply the taxi pools or photographic studios that are threatened. It is the entire System that proves to be threatened.

But, if one analyzes this carefully, who in this System is actually threatened by the cooperative members' low prices? The consumer? That would be ridiculous. Perhaps the taxi operators and the photographers? But they received only a few crumbs from the increased state price. Nor should one mention the planners or the level of their wages. The lion's share of the high prices goes not to the workers, but to those agencies that teach the worker how to work, that train him, in a word, in management. So that, judging the situation with common sense, the taxi operators ought to brand not the cooperative, but their own callous system, and to demand the transfer of the taxi pool either to a rental basis or to the cooperative mode.

And so to the entire pyramid of agencies of economic (and not only economic) administration, and to the apparatus on the whole, the cooperative members' low prices are a serious threat. If the base of that pyramid—the state enterprises—begin to break up or if they change to rental or other forms of real cost accounting, then the pyramid of today's bureaucracy will remain without a foundation. Who actually will need the appropriate department at the city *ispolkom*, if, under the blows struck by the cooperative members' low prices, all the state taxi pools perish?

When prices are dropping, the apparatus created for purposes of administration is subjected to the most radical changes: with the abolishment of a mass of both structures and of staffs that are unnecessary when economic methods are used. And what particularly frightens some managers is that the new mechanism can rather rapidly require not only more sophisticated mechanics,

but also more talented helmsmen. That is why they agree to practically everything, even to the market and democracy, so long as they remain in their own positions at such time.

Standing behind the relentless war waged by the entire apparatus against the cooperative members' very first, very shy attempts to establish low prices, and standing behind the attempt to force on perestroika various methods that lead to the disappearance of inexpensive commodities, is one of the general problems of our development: is the current apparatus capable of organizing perestroika, and, if so, specifically what kind of perestroika?

The disappearance of inexpensive commodities and the disappearance of low prices, as we can see, have one and the same cause: the attempt made by the apparatus that was created by the period of stagnation to hang on at any cost, no matter what the price to the country, and to force on others their version of perestroika, no matter how that hinders development.

There is only one path in the struggle for low prices: decisive democratization, a competitive system of elections of deputies to the soviets, with the mandatory existence of several candidates contending for each mandate. Then the realistic monitoring by the soviets thus formed over the apparatus, instead of the current situation, in which the apparatus actually monitors the soviets. Therefore, a true way out exists in only one thing—the political defeat of bureaucratism in the course of democratic elections and in the creation by this means of guarantees for the most radical forms of economic perestroika. Then we shall see the confirmation of those market forms with which, in all countries and in all eras, inexpensive commodities and low prices brought the producers the same benefit as expensive ones. Then, in the apparatus, things will be difficult for horsemen who are ready to prance around shouting "Bravo!" on the field of a price increase. The person who will have the real chances of staying in the saddle is the one who will be able to report to the deputies how he succeeded in promoting a price reduction.

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### **Wage Changes Under Full Economic Accountability Detailed**

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[Article by R. Yakovlev, chief of the wages department of the Scientific Research Labor Institute and candidate of economic sciences: "The State's Role in Managing Wages Under Full Cost Accounting"]

[Text]

### **Independence and Centralism Are Indispensable to the Optimum**

In the conception of management of the economy that is being implemented today, the question of the relationship between the state's functions and those of enterprise work collectives occupies one of the central places. The principled approach to solving this problem was spelled out at the April (1985) Plenum of the CPSU CC as follows: "While continuing to develop the principle of centralism in solving strategic problems, there has to be bolder forward movement to expand the rights of enterprises and their independence, to introduce cost accounting (*khozyaystvennyy raschet*) and on that basis to enhance the responsibility and motivation of work collectives for the end results of operation."<sup>1</sup> This methodological principle has been further elaborated in the USSR Law on the State Enterprise (Association) and in a number of decrees of the CPSU CC and USSR Council of Ministers on the role and functions of economic departments and ministries under the new economic conditions and on the transition of associations, enterprises, and organizations in the sectors of the economy to full cost accounting and self-financing.<sup>2</sup> At the same time, it has to be admitted that the decisions taken are still not optimal. There is evidence of this in the course of the economic reform and in the serious critical statements which have been made by researchers and practitioners.

Interaction between the enterprise and the state in general and concerning matters of evaluating the input of a worker's work in particular was vigorously discussed when the 1965 economic reform was being prepared and implemented. A number of principles were advanced at that time that posed the problem of distribution according to work in a new way. First, there was development of the idea of the existence of the enterprise's collective interest alongside the personal interest and the interest of society, of the "worker-enterprise" and "enterprise-society" relationships as intermediate in the "worker-society" relationship, of the role of the law of value and commodity-money relations in distribution of consumer goods, of the relation between expenditures of labor and results of labor in evaluating the labor input, and a number of others.

When we evaluate the situation as a whole since the 1965 reform, we can say this: on the one hand the reform substantially diversified the set of instruments used in the enterprise to manage the worker's material incentive. It became possible to pay bonuses to winners in intra-plant socialist competition, to stimulate those workers who had distinguished themselves the most in performing particularly important production assignments, and to pay workers awards on the basis of the results of operation for the year. The resources which enterprises could use with relative independence increased substantially. By the time the reform had been completed in industry, the material incentive fund alone represented about 8 percent of the wage fund, and in addition the wage fund itself contained a sizable portion for bonuses.

On the other hand, the 1965 reform retained all the main regulatory restrictions inherent in the previous system of wage management and also initiated a number of new ones related to the emergence of the material incentive fund and the purposes of its use.

It should be noted that expansion of the independence of enterprises in evaluating the worker's input of work, which was allowed by the 1965 reform, consisted of broadening the rights of the enterprise management as an entity representing the interests of the state. The question of the rights of the work collective as a partner of the state in evaluating the worker's input of work was not even raised.

It is no accident, then, that in connection with improvement of the economic mechanism the problems of the interaction between the state and enterprises in evaluating the worker's input of work have somehow inevitably arisen in one way or another. Documents have been adopted that envisage further improvement of management of the economy (July 1979), principles of management worked out during the large-scale economic experiment during 1984 and 1985 were introduced, the USSR Law on Work Collectives and the USSR Law on the State Enterprise (Association) were adopted, and the principle of self-financing and full cost accounting began to be applied. Along with expansion of the rights of enterprises in organizing wages, they were also given broader powers in planning output, in retooling production, in setting prices, in financing, and so on.

As has already been noted, the optimum variant has still not been found for interaction between enterprises and the state in management of the economy in general and in management of remuneration. The literature that exists indicates substantial differences in the viewpoints of Soviet economists, researchers, and practitioners as to how this problem should be solved. We cannot but note a certain disturbing tendency in this regard. A distinguishing trait of many proposals is the ever further bent toward still greater expansion of the rights of enterprises, and some of those who have spoken out propose eliminating the centralized principle altogether.

### **The Statewide System of Wage Rate Schedules and Full Cost Accounting Are Inseparable**

A number of researchers and practitioners have in recent years cast doubt on the advisability of retaining the statewide system of wage rate schedules in the mechanism for organizing wages, seeing it as the main thing that is holding back development of initiative and display of the creative abilities of the workers, the rise in the efficiency of their work, and they have persistently raised the issue before central authorities of abolishing it.

Some repudiate it altogether, others consider it an optional recommendation, and still others prefer that each enterprise have its own system of wage rate schedules. Since this is one of the most important elements in the organization of wages, these arguments need to be examined judiciously and from every angle, especially since specialists who have had no contact with the organization of wages are frequently proposing that the system of wage rate schedules be given up.

What are the reasons for the skeptical attitude toward the system of wage rate schedules? Basically, there are two of them. The first is that the system of wage rate schedules does not fit into the idea which certain economists have of economic development in the present stage. To be specific, they feel that the transition to remuneration according to the end result and to full cost accounting requires that intermediate results be remunerated only on the basis of the final result of performance, only as the worker's contribution to the end result. Proponents of this point of view believe that the measure of the work expended is evaluated most accurately by the collective in which the worker in question works, and the end result is evaluated by the consumer when he buys or does not buy the product of the collective effort. In other words, the belief is that the system of wage rate schedules was necessary when every worker's labor was paid for by society on the basis of work performed, and the concern about the correspondence of the end result to society's needs was left to the state. Under present conditions, when the enterprise is responsible for the product meeting the needs of society, there is no longer any need for a centralized system of wage rate schedules.

Some arrive at the position that the system of wage rate schedules is unnecessary by viewing the worker as the master of production. The logic of the arguments is approximately as follows. If in our system the worker is the master of production, then he must himself establish the conditions of his own remuneration as a function of the results of economic activity. After all, the capitalist as the master of production does not need a system of wage rate schedules; he gets along by adjusting to income. It is the hired worker who needs the system of wage rate schedules, not the boss. A real boss receives from his activity an income which he himself must use for the purposes of augmenting production and consumption. The treatment of wages exclusively as income

from the activity of the enterprise, which belongs to the workers (or which they rent from the state), also eliminates the need for a system of wage rate schedules established by the state.

The second reason for the skeptical attitude toward the system of wage rate schedules has been engendered by economic practice. Many workers feel that the centralized system of wage rate schedules is simply ineffective on organizational grounds. While for a certain time it was more or less acceptable in evaluating the input of work, it has become outdated and has begun to contradict the real level of remuneration. The unresponsive review of the system of wage rate schedules that is typical of the entire postwar period of our economy's development forced enterprises to adopt various methods of "taking care of" wages (figure padding, hiking up skill classes, detracting from the quality of quotas, paying bonuses which had not been earned, and so on). From the enterprise standpoint, the existence of an outdated system of wage rate schedules is practically the same as its absence, and that is why its opponents quite reasonably believe that they can get along quite well without any sort of centrally established wage rates, especially since quite a bit of trouble is involved in administering the statewide system of wage rate schedules. First, it has to be introduced (and recently this has also involved earning the resources to introduce it), which turns out to be no simple matter at all, since all the conditions for remunerating the labor of the workers have to be scrapped, and changing relations in remuneration is not always perceived as it should be from the standpoint of social welfare. Then, as the system of wage rate schedules gets older, one has to learn to get around it in sensible ways. Many practitioners feel that if the system of wage rate schedules is to be preserved, then that should be as a point of reference, as a recommendation, in the form of necessary relations in remuneration, but not in the form of mandatory standard rates of remuneration.

First, let us look at the theoretical aspect of the problem. Does the orientation toward the end result and the introduction of full cost accounting actually negate the need for a statewide system of wage rate schedules? The nature of the system of wage rate schedules as an element in organizing wages was at one time spelled out very straightforwardly in decrees of the RSFSR Council of the National Economy: "Basic Principles on the Wage Rate Schedule Question" (1921) and "General Principles on the Wage Rate Schedule" (1920), which were signed by V.I. Lenin, and it came down to the principle that remuneration on the basis of the wage rate schedule is compensation for the standard amount of work. The existence of a statewide system of wage rate schedules means that society has reached a level of social justice inaccessible to capitalism, where on the scale of the entire state it is possible to demand equal pay for performance of the standard measure of work when production is organized and in the conduct of economic activity. Here, the standard measure of work signifies not simply some abstract quantity of work in general, but



work of a certain quality, the work of a worker with a certain qualification. It is to that end that the system of wage rate schedules establishes relations in remuneration of workers with different qualifications. The most important principle behind this differentiation in remuneration is progressively higher wage rates and salaries as the complexity of the work increases.

Scientific substantiation of these relations and their practical implementation in the organization of wages cannot but be seen as a most important function of the socialist state, as a necessary condition of the fight against leveling in remuneration and at the same time as a necessary condition of equal pay for equal work. In the 1921 decree we have already mentioned, Lenin wrote: "When wage rate schedules are being established for workers of differing qualifications, for employees, for secondary technical personnel, and for senior administrative personnel, all thought of leveling must be cast aside."<sup>3</sup> Thus, V.I. Lenin saw in the organization of wages on the basis of the system of wage rate schedules a possibility of implementing in the first years of socialist construction the main and fundamental requirement of socialist remuneration of labor: that leveling is not permissible, above all in remuneration of skilled and unskilled work on the basis of a uniform set of wage rate schedules.

The question of the state's functions is so important in connection with implementing the principle of equal pay for equal work that V.I. Lenin could not but devote attention to it. In his book "Gosudarstvo i revoliutsiya" [The State and the Revolution], which he wrote on the eve of the October Revolution in order to defend Marxist doctrine of the state against opportunistic attack and which was first published in 1918, when the Bolsheviks had already undertaken to build socialism in practice, he specifically wrote: "Until the 'higher' phase of communism arrives, socialists demand the strictest monitoring of the measure of labor and the measure of consumption by the state and by society."<sup>4</sup> Thus, V.I. Lenin derived the function of state regulation of the measure of labor and the measure of remuneration, and moreover did so for the entire period of the construction of socialism, from the Marxist understanding of both the state and also of distribution according to work. But perhaps V.I. Lenin revised his views later on? Neither V.I. Lenin's last writings nor his activity as the head of the socialist state, much less the decrees of the Council of People's Commissars adopted under his direction, give any indication of that. It should be noted that it was in 1921, in the article "For the Fourth Anniversary of the October Revolution," that V.I. Lenin advanced the idea of building socialism on the basis of the transition to cost-accounting market relations instead of the "direct dictates" of the socialist state. Thus, for V.I. Lenin cost accounting and state regulation of the measure of labor and the measure of remuneration were fully compatible.

Neither in theory nor in practice can the system of wage rate schedules contradict cost accounting and evaluation of performance according to the end results, first, if only

because the end result itself cannot be measured in value terms without a generally accepted standard of remuneration for the standard amount of work. It recognizes, as is well-known, not just any inputs of labor, but those which are socially necessary, that is, those which correspond to objective standards. This is valid for both live labor and embodied labor. It would be strange, to say the least, if the socially necessary expenditures of labor in one end product were reimbursed to a greater degree than in another equivalent product. Of course, market relations can make certain adjustments in this process, but it is the state, especially when it comes to the remuneration of labor, that must be the monitor and the regulator of the deviations that occur. It can be asserted that the socially necessary expenditures cannot be correctly reflected in the value of the product produced without a statewide system of wage rate schedules. But what about the course directed toward the use of contract prices; after all, these prices will be set by the consumer and producer without any intervention of the state in this process at all. But the contract price does not signify arbitrariness in determining the size of expenditures to be reimbursed. It does not abolish, but on the contrary presupposes, a high degree of justification of inputs of both live labor and also embodied labor. A contract price built on different principles could only result in intensification of inflationary processes. It is abolishing the system of wage rate schedules that could facilitate an unrestrained rise of prices of products.

The second reason why the system of wage rate schedules does not contradict remuneration according to the end results is that only the remuneration fund is formed from the end result, the source is determined, but not the measure of the worker's reward. This is computed according to other principles, which are derived from the law of distribution according to work. Linkage of remuneration to the results of the enterprise's activity signifies that the nationwide consumption fund ceases to be the direct source of remuneration for labor, that this source takes the form of the major portion of the enterprise's cost-accounting income. As for the measure of remuneration of each according to his contribution to the end result, i.e., the measure of remuneration for the intermediate result of work, it must be determined not by the size of the remuneration fund, but by the standard remuneration for the standard amount of work established in society. Only in this way can normal conditions be guaranteed for reproduction of manpower.

How legitimate is it to say that the worker as the master of production does not need a nationwide system of wage rate schedules and that he must establish all standard measures of remuneration exclusively on his own, adjusting to his income? In our view, to pose the question in this way is to oversimplify it. In actuality, the worker's position under socialism is signified by the expression "boss-worker" whereby these two characteristics are indissolubly unified. What is more, this applies to workers employed in production operations with differing types of ownership.

The position of the workers as bosses above all determines their mutual relations in distribution of the entire income they have produced. Neither the workers of socialist enterprises nor cooperators nor workers in the private sector of the economy are free on their own to decide the question of use of the income they have produced solely on the basis of their own interests. Resources are taken out of the income produced to meet the needs of the entire state through the system of payments into the budget, taxes, rent, and other financial levers. Thus, the workers as bosses can dispose of only that income from which the objectively necessary deductions have already been made. In the income that remains, the worker is interested above all in that portion which can go for remuneration of labor. But it is not arbitrary either. In order to determine it, every socialist owner must know how the worker's work is evaluated in society. Only knowing that will he be able to correctly determine his own remainder of cost-accounting income. The law of distribution according to work requires a unified approach to setting standards for remuneration of labor in society regardless of the forms of ownership of the means of production and of the product produced. This is one of the most important functions of the socialist state. V.I. Lenin was aware of it from the very outset of the construction of socialism. For instance, the "General Regulation on the Wage Rate Schedule," which we have already mentioned, stated: "All workers and employees both of state enterprises and also private enterprises, institutions, and farms are remunerated according to wage rate schedules approved by the People's Commissariat of Labor."<sup>5</sup>

Thus, renunciation of the nationwide system of wage rate schedules does not follow in the least from the position of the worker as the true boss and owner. What is more, only in the context of such a system, which correctly determines the conditions for reproduction of manpower in society, conditions independent of the forms of ownership, can the different independent types of socialist economic entities correctly determine their income for remuneration of labor, for development of social welfare, and for development of production.

Now, let us look at renunciation of the need for the system of wage rate schedules as being too sluggish and constantly lagging behind reality, so that it is not very useful. As a matter of fact, in all previous stages of development the state has performed its functions in sound determination of the standards for remuneration of labor very poorly. There has been too much administration in the setting of the level of wage rates and salaries and in the intervals at which they were revised. For example, specialists concerned with the organization of wages have referred to the 5-year period as the maximum period for validity of the nationwide system of wage rate schedules. What is more, it fitted conveniently into the system used in planning the activity of enterprises, sectors, and the national economy as a whole. But the overloading of the upper levels of management with purely day-to-day affairs, combined with

the chronic nonfulfillment of assignments for production of consumer goods and services for the public and also attempts to correct the situation in development of individual sectors and branches mainly by allocating them additional resources for remuneration, resulted in a lengthening of the validity of the system of wage rate schedules to 10-15 years.

But can poor work in previous stages serve as the basis for asserting that the state is not capable of doing it at all? In our view, such a conclusion would be incorrect. The task is to eliminate the shortcomings that have been detected, not to give up performance of a function that is objectively necessary to correct economic development. It would seem that the principal shortcomings of the system of wage rate schedules in previous stages of development, especially since the war, have been these:

- wage rates and salaries were set in advance at a level that lagged considerably behind the level of wages that had been achieved and went unreviewed for too long a time;
- relations in the standard levels of remuneration of skilled and unskilled labor were too close;
- unjustified priorities existed in establishing levels of differentiation of wage rates;
- unity was lacking in evaluating the complexity of the labor of workers and specialists and also of workers in the production and nonproduction spheres of the economy.

These shortcomings were accompanied by a number of incorrect methodological premises in organizing wages. For example, it was thought impossible to lower a worker's remuneration to a level below the wage rate when he failed to perform certain operations which were a direct part of his duties. Given the poor organization of production, the enterprise was unable to widely apply hourly remuneration of labor, i.e., remuneration for work actually done, and it had to hire people solely for permanent fulltime employment, and in this case he was not always kept busy by any means. There were too many regulations and restrictions in the organization of wages. For example, until recently the KTU [labor participation coefficient] could be used only to distribute that portion of wages above the wage rate schedule, bonuses awarded to workers from the wage fund in most branches of industries could not exceed 40 percent of remuneration according to the wage rate schedule for time worked, and so on. As a consequence, remuneration according to the wage rate schedule was frequently transformed from a standard of payment for the standard amount of labor into a standard for remuneration of labor regardless of the work quota established, i.e., in fact just for reporting to work.

Now that the USSR Law on the State Enterprise (Association) has removed almost all the artificial restrictions on organization of wages, it becomes possible to set up the system of wage rate schedules in a new way as well. It would seem that it ought to be based on a high level of remuneration under the wage rate schedule, which would orient enterprises toward highly efficient organization of production and of work, on scientifically sound differentiation in remuneration of skilled and unskilled labor, and on the equal importance of work in production and nonproduction sectors.

Some economists feel that in the context of full cost accounting the law of distribution according to work must operate only within the limits of the enterprise, and therefore state regulation of wage rate schedules contradicts distribution according to work. Enterprises must necessarily be given the right to determine themselves the kind of system of wage rate schedules and the kind of standards they need. The position of V. Nemchenko is typical in this regard: "If the enterprise," he writes, "is fully responsible for the results of its activity, and the state gives up responsibility for it, then for what purpose does the state retain for itself the right to regulate individual wages? To guarantee equality of payment for equal work? But such a guarantee from the state is simply not necessary; after all, the principle must operate within the limits of the enterprise."<sup>6</sup>

Important doubts are raised about the theoretical legitimacy of putting the question this way. It is not clear, for example, why under capitalism the law of value (the price) of manpower operates on the scale of the entire society, while under socialism the law of distribution according to work must be restricted to the limits of the individual enterprise? The argument that in the context of full cost accounting the state has relieved itself of responsibility for the activity of the enterprise also seems erroneous to us. It is possible that this is the interpretation that V. Nemchenko put on Article 2, Paragraph 6, of the USSR Law on the State Enterprise (Association), which reads: "The state is not liable for the obligations of the enterprise. The enterprise is not liable for the obligations of the state nor for those of other enterprises, organizations, and institutions." But not being liable for obligations and removal of responsibility for activity are after all two quite different things. How can the state give up responsibility for the activity of the enterprise, when it builds it for a particular purpose, manages it within the limits established by the law, audits it and monitors it, creates conditions for its normal activity, and if necessary must take steps to restrict monopoly tendencies of individual enterprises? After all, a portion of the property of the entire people has been transferred to the enterprise, and the state cannot divest itself of responsibility for the success of its employment.

A careful reading of the USSR Law on the State Enterprise (Association) is enough for one to see that in many of its articles self-management of the enterprise by no means relieves the state of responsibility for the enterprise's activity.

Even from the practical standpoint it is difficult to imagine every enterprise working out its own system of wage rate schedules. After all, measuring the complexity of work is one of the most difficult problems in the organization of wages and requires specialized knowledge. To be specific, more than 40 scientific research organizations of branches and sectors took part in drafting the Unified Manual for Classification of Jobs and Worker Occupations which is now in effect. In a weaving mill, for example, can the work of an electrician be equated with the work of a weaver or spinner? One can well imagine entries like these being made in workers' workbooks: "Sixth-class operator according to the system worked out in Machinebuilding Plant No 5...." In our view, defending the enterprise's right to have its own special system of wage rate schedules is the same as defending the right of every store to have its own special system of weights or length, for every railroad to have its own special timekeeping, for every post office to have its own standard size of envelope or telegram blank.

And more than that. If we start from the premise that the production collective knows better how to evaluate the input of work, then in the context of development of intraplant cost accounting why not lower the level of implementation of the law of distribution of work still lower—to the level of the shop (or brigade); why then not raise the question of every shop (brigade) having its own system of wage rate schedule and its own work quotas, especially if this subdivision is operating under a leasing agreement? Limiting operation of the law of distribution according to work to the premises of the enterprise as distribution among the workers of the resources of their fund for remuneration of labor obtained on the basis of the results of the enterprise's performance, inevitably raises the question of determining the law which regulates the size of the remuneration fund, if we assume that its size cannot be arbitrary and depend on the disposition of the particular production collective. But if one law determines the size of the remuneration fund, and another law the earnings of the worker obtained from that fund, then in the distribution of consumer goods among workers under socialism there must be at least two laws operating, and the generally accepted point of view concerning the law of distribution according to work as the only one for determining the size of the input of labor and as entirely covering mutual relations of workers in society with respect to their work share is incorrect.

In our opinion, the law of distribution according to work regulates mutual relations taking shape in society as a whole, and the essence of it comes down to equivalence between the worker's input of labor (which, of course, has obtained social recognition) and the size of remuneration for that contribution.

#### **Development of New Forms of Centralized Influence on Remuneration of Labor**

The nationwide system of wage rate schedules is today a necessary, but not sufficient, condition for the actual



guaranteeing of that equivalence. The transition of enterprises to full cost accounting, self-financing, and self-management when a majority of enterprises have a monopoly position, when there is a shortage on the market for most of the products and services produced, with the defects in pricing and the imbalance in supply, is accompanied by the desire to realize cost-accounting income by the easiest route: by hiking up prices, through shifts in the structure of output, by building up cost-accounting income and funds for remuneration of labor with preferential rates.

At the same time, the results of the activity of cost-accounting enterprises are also subject to an essential influence by these external conditions: the differing share of state orders in the volume of output, differences in opportunities to employ potential because raw materials are limited, and so on. These factors were operative even earlier, but their influence was periodically offset by centralized measures carried out all at once to revise wage rate schedules and salaries and by the directive planning of the wage fund. When enterprises are operating on the principles of full cost accounting, that kind of regulation will be insufficient, and it can be substantially strengthened by actively mastering the new forms of exerting influence. The following would seem to be the most important such forms:

- economic influence exerted through the mechanism of rates by which the funds for remuneration of labor are formed;
- instructions on methods (recommendations), which makes it possible for enterprises, in the process of exercising their broader rights and discharging their duties, to make decisions appropriate to the conditions of their activity on the basis of procedural principles that are uniform for the entire country;
- diverse methods of monitoring the activity of the enterprise in the area of remuneration of the work of workers;
- guaranteeing correspondence between money wages and real wages by virtue of state monitoring of the soundness of prices, development of a mechanism of subsidies and compensation for the rise of prices of consumer goods, creation of new production operations to produce consumer goods and render services, and creation of real opportunities for turning the money wage into commodities.

The newness of these forms of state regulation is, of course, relative in nature. In one form or another they have been applied earlier. But now they must be filled with a new content. For example, the function of oversight has always belonged to USSR Goskomtrud. But it has come down mainly to ascertaining what points of what decree the enterprise is not implementing or is applying incorrectly. In the new context, oversight must be aimed at ascertaining how actively the enterprise is

exercising its rights to develop forms and systems of remuneration that guarantee the removal of leveling and close linkage of remuneration to the results of work. This approach requires a complete change of principles, forms, and methods in the organization of oversight. We can assume, for example, that penalties imposed as a consequence of this oversight must apply not to the particular manager, but to the collective as a whole and must in the main take the form of economic restrictions: setting aside of a portion of funds for remuneration of labor as a reserve for a certain time; imposing for a certain time higher transfers to the budget or to the disposition of ministries (perhaps even to Goskomtrud) from the gross income of the enterprise, direct confiscation of a portion of the fund for remuneration, and so on. But penalties of this kind also call for economic responsibility of USSR Goskomtrud for making the appropriate decisions. After all, under the Law on the State Enterprise (Association), in Article 9, Paragraph 3, losses inflicted on the enterprise as a consequence of "improper performance by the superior authority of its duties toward the enterprise" are subject to reimbursement by that body.

There must also be new content in the effort to furnish enterprises recommendations on methods. It is not a question of preparing the previous instructive materials which bind and swathe the effort to organize wages with all kinds of restrictions, limits, and prescriptions. It is a question of devising and delivering to the workers of enterprises scientifically sound methods of applying a particular criterion for evaluating the work input, and which they would use as the basis of more effective exercise of the rights granted them. We might cite as an example the broadening of the rights of enterprises in determining working conditions on the basis of an analytical evaluation of those conditions at every work station. Without relevant recommendations on methods that take into account the necessary medical and sanitary-hygiene requirements, enterprises will not be able to exercise the right that has been granted them to be flexible in taking into account the factor of working conditions in organizing wages.

At the present time, enterprises are in need of sound recommendations along almost all lines in the domain of exercising their rights related to remuneration of labor. To be specific, recommendations are needed on developing and applying effective bonus systems that help to select indicators for the awarding of bonuses, to determine the group of workers to be given incentives, to work out the initial basis for bonuses, and to substantiate the size of bonuses.

Recommendations are needed on establishing and abolishing supplements to remuneration under wage rate schedules (salaries) for the occupational skill of workers and for high qualifications of engineering and technical personnel and employees, just as recommendations are needed for administering supplements to workers for combining occupations (jobs), for expanding service

standards (areas attended), and for operating more than one machine. Development of these recommendations and the monitoring of their use by enterprises would make it possible to eliminate leveling in establishing supplements and their payment only to those workers who have distinguished themselves with respect to their work indicators among workers in their occupation and skill class; to eliminate cases when supplements are obtained for combining jobs when during the day the worker is not fully occupied by his principal job and to prevent the occurrence of such cases in the future.

The lengthy period when work was oriented toward instructions and prescriptions created a kind of immunity not only to people's working out their own conscious decisions, but also to acquiring the knowledge necessary to do so. The existence of scientifically sound recommendations on organization of the particular elements of wages in the context of the development of democratization affords work collectives the possibility of monitoring more completely the work of their specialists, comparing the decisions they make to the available recommendations.

In the context of full cost accounting, a very crucial area in the work of authorities for state administration is guaranteeing enterprises equal opportunities for remuneration of labor and for social and technical development on the basis of long-term economic standards. Applied to funds for remuneration of labor, the task must be to place work collectives as a whole in equal conditions with respect to the need to make maximum use of the potential they have for raising production efficiency and not to allow factors not related to the work activity of the enterprise's collective to influence the rate of growth of funds for remuneration of labor. However, attempts that have been made to improve the mechanism for formation of the cost-accounting funds of the enterprise are far from solving this problem and often set highly diverse and even contradictory goals. In one case, they pursue the goal of not allowing the resources of a particular fund for all enterprises to exceed the corresponding fund for the ministry as a whole, in another case to guarantee the level of remuneration of the labor of workers that has already been achieved and stimulate improvement "if possible," and in a third to create an "appreciable" incentive that would work both to increase and also reduce wages. There are discussions in this connection about what method of building up funds is better: "by level," "by increment," "by remainder," by standard share, and so on. In our opinion, simultaneous use of diverse variants of fund formation is possible so as to take into account the specific nature of the production branch, the peculiarities of the organization of cost accounting and pricing, but any of them must result in a solution of the main problem.

The requirements to be met by the mechanism for forming funds for remuneration of labor might be formulated as follows from the standpoint of guaranteeing the unity of the measure of labor and the measure of remuneration.

The mechanism for formation of funds must be based on a normative fund for remuneration of labor, which, assuming an identical (standard) level of utilization of available resources (equipment, subjects of labor and manpower), equal requirements as to the quality of the product to be produced and the degree of satisfaction of the needs of society, would guarantee an equal level of remuneration per worker employed so as to take into account the differences that exist in the complexity of the work.

Until this requirement is met in the methodology for forming funds for remuneration of labor, we cannot speak seriously about standards governing the formation of funds (the rates of distribution of cost-accounting income) as an element whereby the state regulates wages. This requirement is not met in any of the solutions which have been proposed for the near or more remote future. Meeting it becomes particularly problematical in the context of the transition to what is called the unnormed distribution of cost-accounting income. If that kind of expansion of the rights of enterprises is not to result in uncontrolled growth of money remuneration that is not backed up with real commodity coverage, effective economic governors have to be adopted in the form of a progressive tax on the growth of the wage fund or in the form of assigned standard ratios between the growth of gross income and the growth of the wage fund.

It is not possible within the limits of an article in a journal to examine all the problems in restructuring the methods of management of wages by the state in the context of full cost accounting and self-financing. We wanted to draw attention to the need for that kind of restructuring to accompany the expansion and deepening of the process of democratization in the management of wages.

#### Footnotes

1. "Materialy Plenuma TsK KPSS, 23 aprelya 1985 g." [Material of the CPSU CC Plenum held 23 April 1985]. Moscow, Politizdat, 1985, p 11.
2. "O kardinalnoy ekonomicheskoy reforme. Sb. materialov" [On the Radical Economic Reform. Anthology of Papers]. Moscow, Politizdat, 1987; "Polnyy khozyaystvennyy raschet i samofinansirovaniye. Sb. dokumentov" [Full Cost Accounting and Self-Financing. Anthology of Documents]. Moscow, Pravda, 1988, pp 36-241.
3. "Metodologicheskiye problemy ekonomiki truda" [Methodological Problems of Labor Saving], edited by Ye.I. Kapustin, Moscow, Nil truda, 1970, p 7.
4. V.I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 33, p 97.
5. "Metodologicheskiye...." p 9.

6. V. Nemchenko, "The Secrets of the House in Birzhevaya," LITERATURNAYA GAZETA, No 32, 1988.

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### Improvements in Pay Rates for Scientific, Cultural Jobs Urged

18280062 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 4 Feb 89 p 3

[Article by P. Golis, candidate of economic sciences and docent at Vilnius Polytechnical Institute: "The Poverty of Intelligence"]

[Text] So that no one will accuse me of being subjective, I will begin with statistics. The average monthly earnings of health care workers are 37 percent less than those of a worker in industry. The wages of teachers, following the increase, are 71 percent of the earnings of industrial workers. The situation is still more acute in the sphere of culture. There, the comparative percentage reaches only 56. Scientists live relatively well. Their average earnings are almost equal to earnings in industry (96 percent). If these figures are compared to remuneration in construction, then the contrast would be sharper, since there the earnings are 12 percent higher than in industry.

The material situation of the intelligentsia, as we see, is unenviable. Is there a trend toward its improvement? The statistics also dispel that hope. In recent decades, the situation of those who work in these sectors has even deteriorated. In 1970, the earnings of medical personnel represented 69 percent of the earnings of industrial workers. In the educational system, this figure has reached 81 percent, in the cultural sphere 64 percent, and in the branches of science and scientific services—105 percent.

The figures graphically indicate that in branches producing information, cultural values, and also those which restore human health, there has been a relative impoverishment of workers (a term we recall from political economy). In recent years, the economic position of teachers, physicians, and artists has improved somewhat, but to a lesser degree than the well-being of lathe operators, chauffeurs, and representatives of many other worker occupations.

On the basis of experience, I would be so bold as to say that there has even been an absolute deterioration of the position of the intelligentsia. It is getting more and more difficult for the mental worker to buy a book, since books are getting steadily more expensive, to go to the theater, to go to an exhibition, and so on. The structure of consumption is undergoing simplification and polarization.

The relative impoverishment of this category of people is taking place not only because of differentiation of wages. Ministries and plants are building their own preventori-ums, rest homes, polyclinics, and housing. But what can a school or hospital build? After all, it does not turn a profit!

Now, let us look deep down into the branch. After graduation from the VUZ, the engineer receives 115-120 rubles. A beginning worker receives 160-180. Yet during his studies, a university student goes without certain things, as a rule his parents give him a sizable subsidy, since today the stipend is clearly not enough to live on.

If you follow the destiny of a good worker and an able (and he has to be lucky!) engineer, it turns out that financially the former always stays ahead of the latter. By the 5th or 6th year of their working lives, the able engineer is receiving 160-170 rubles, while the wages of the worker are beginning to exceed the 200-ruble mark. Let us assume that somewhere at the end of his 2d decade of production work the engineer has become the chief of a design office, and his income and bonuses reach 400 rubles. But the worker (a tool and die maker, say) is still receiving more—500 or indeed even 600 rubles.

This indicates that we fail to observe not only the natural differentiation of wages by qualifications, but also the differentiation based on rank. Quite often the supervisor, say, of a shop receives less than his subordinate.

All of this engenders a feeling of social humiliation. One of the consequences is the emergence of shady mechanisms of compensation. We have not yet become fully aware how pernicious they are.

We cannot forget that the inequality as to property is compounded by the distribution of goods through the channels of the "shadow" economy (figure padding, shrinkage, spillage, and so on). To be sure, the educated person can sell his knowledge and conscience. But only for certain groups of educated people are their knowledge and conscience a commodity in demand.

These facts indicate that a sizable portion of young men and women who aspire to do scientific work knowingly condemn themselves to a more modest material situation. In the sphere of education, health care, and other branches for educated people where the pay is poor, most workers have higher education, while in the industrial sector VUZ graduates make up only one-fourth of the labor force.

How are we to explain such a situation, and can it be considered normal?

It would seem that this situation has come about because the entire practice of organizing remuneration along with economic practice as a whole have been built on a wrong conception. The basis of that conception is the



production of means of production. Development of the most important lines of heavy industry has been stimulated at the expense of "secondary" branches. This has been the fate not only of education and health care, but also of light industry, the food industry, and so on. That is why the natural objective of production has been forgotten: production always exists for the purpose of consumption. However, the quality of the things being manufactured has been such that many of them are quite difficult to put to use. One gets the feeling that we have developed production solely for the sake of production itself.

The consequences of this are especially obvious today. The branches of intellectual production, or, in other words, of the social infrastructure, have fallen behind. Their plant and equipment have lagged behind, and the level of knowledge of specialists has declined. It is bad when a teacher does not have chalk. It is worse when he does not know how to teach or does not want to teach anyway. This is a logical consequence of an illogical economic policy.

At the same time, is it a logical policy when preference in vocational guidance of 9th graders is given not to the intellectual sectors, but to manual labor? A situation in which society invests immense time and money in selection and training of specialists who could be trained in a few months or weeks in the plant, but adequate resources are not allocated to seek out and train talented intellectuals, can be termed a phantasmagoria. The result is that the main objective is to train as many skilled fitters, lathe operators, electricians, and so on, as possible. And let the rest go into medicine, science, let them become supervisors, and so on. In all times, there has been a different principle of selection: the most able people go where particular attributes and a creative vein are required, and the less able go where these qualities are not needed. This "misery that goes with intelligence" will continue if the attitude toward material and nonmaterial values remains what it has been.

Do we want our children taught by good teachers? Do we want to be treated by skilled physicians? Do we want scientists to be able to look ahead, or do we want them to invent the bicycle? Finally, do we want figures in culture to teach us how to understand beauty?

If yes, then we must understand that when we give to the sphere of nonmaterial production only the crumbs from the common table, we cannot expect our cultural and intellectual potential to be on a high level. It is not enough for a present-day society to have individual fanatic physicians, fanatic teachers, fanatic scientists, and so on. We need broad intellectual and cultural production at a high level. Efficient material production is otherwise impossible. Cultural and intellectual poverty generates material poverty, and the other way about.

Until we reestablish a deep respect for knowledge and ethics, until we begin to place a value on intellectual and creative work, the bridges and houses built by ignoramuses will be falling down, the lines and shortages of staple commodities will continue to be the eyesores of our everyday life, and the entire world will go on laughing at our products.

It is very important to restore and maintain a high social and economic status for representatives of cultural and intellectual production. On the one hand, the prestige, say, of a physician, is rather high. We do value his work. But only enough to say so. When he graduates from the VUZ, the medical man receives about 110 rubles. The wages of a physician who has been working for 15 years hardly exceeds 200 rubles. At present, a normal family budget is one with 200 rubles for each member of the family. People often evaluate a person not only for what he can do, but also for what he has. We should not dismiss the social principle that consumption must depend on social status. The physician must have the consumption of a physician, the teacher that of a teacher, the engineer that of an engineer.

The obstacles that have been erected in front of any new thought have had the result that many participants in intellectual and cultural production are unable to work creatively and to share the fruits of their labor. That is why manifestations of social passivity, alienation, conformity, and internal emigration have become widespread in the intellectual and cultural milieu.

The system we have had has produced a large number of people with formal education who have only one distinguishing characteristic: their diploma. We are experiencing an immense shortage of really educated people. Like air to breathe, there is a shortage of people who bring to society their ideals, people to whom we could look as standards of morality, civic virtue, and patriotism.

At present, we are poor. We might rephrase the well-known saying: Every society has the system of education, health care, science, and culture it deserves. Time will tell whether we will ever deserve more.

#### **Career Advisory Centers Assist Young People** *18280056 Moscow TRUD in Russian 29 Jan 89 p 2*

[Article by L. Krasnovskiy, counseling center manager (Moscow): "What Will I Become?"]

[Text] This question, which teenagers have been asking since time immemorial, has become today a matter not just of state concern but also of victimizing by cooperative operators.

"This year my children finish school. Sasha is in the 8th grade, Tamara the 10th. At home they talk only about their choice of vocations. My children's heads are in a complete muddle, they cannot decide. I heard that we are establishing a vocational counseling service. I would like

to find out about this service in greater detail. And to get help. But rumors are going about that cooperatives now also can help in choosing vocations. Perhaps we should turn there? Respectfully—Olga Ivanovna Bobrova, Sverdlovsk."

There are about 6,000 vocations in the world. But only one is to be selected. Who will help to find that particular one that will become the support for one's entire life? Who will help one to become firmly established in one's calling? In some cases a teacher such as, for example, Mariya Sergeyevna Rybinskaya, a teacher of literature from Chelyabinsk, can be the one: hundreds of her students have followed in the footsteps of this favorite teacher. Or one's parents, like those, for example, in Sochi school No 20. It happens that the path to the future work lies through the hobby circle or club or the technical hobby center....

But let us return to O. I. Bobrova's letter. We shall speak not about particulars but about the main thing, not about illegal forms but about a single state system, not about rumors but about authentic information. Aside from all the avenues named, which depend upon the public's enthusiasm, our country is finally creating a system of vocational counseling for youth, around which there has been so much discussion for a long time. The USSR Goskomitet [State Committee] on Labor and Social Affairs is coordinating this work. Vocational counseling centers have been established in Moscow, Leningrad, Union-republic capitals, and many cities and rayons. Today there are already 465 (or more) vocational counseling centers. There is also such a service in Sverdlovsk.

The demand for qualified advice in choosing a vocation is very great—we know this ourselves: in the year of operation of our service in Oktyabrskiy Rayon of the capital, about a thousand students, parents, and teachers engaged in vocational orientation on the spot—in the school—visited it. We help teenagers to find out their inclinations, look into the chaos of interests, and find the way to vocations in which they will be able to fulfill themselves to the maximum. But that is not all. We also give advice on the development of qualities that are most important for said vocation, and we help to make up an individual plan, for this not only will help in acquiring habits but it will also discipline and teach concentration of the will.

Within the range of concerns we include also help to those youths who for various reasons will not be able to come to us, particularly young handicapped persons. I will tell briefly about just one such case. The father of Zhenya Mazur-Fedorchuk, a graduate of school No 9, came to us in the summer. While in the 10th grade the lad was injured, as a result of which he became a handicapped person of the first category. Workers of the vocational counseling center went as a group to his place and, as a result of long talks, found the range of his interests and inclinations and, with the help of a surgeon, the possibilities for his further training and work. Right

now Zhenya is a student in the first course of the editors' faculty of the Polygraphic Institute. He has found a goal in life, and this, believe me, is most important of all, more important even than the most effective medicines. "Thanks to the workers' group of the vocational counseling center of Oktyabrskiy Rayon and to the acceptance commission of the Polygraphic Institute for the attention given; they went beyond the framework of their responsibilities in days that were difficult for me and my son"—these lines from a letter of Boris Fedorovich Mazur-Fedorchuk are very dear to us.

That is about that which helps us. And what is it that hinders? Primarily bureaucratic isolation. Many offices and even centers for vocational counseling settle down in unsuitable places and are devoid of the required equipment. Even in our prosperous Oktyabrskiy Rayon, matters at times reach the bureaucratic absurd: we are located on the third floor, and on the fifth floor in the same building is a section of the USSR Academy of Science's Institute for Problems of Data Processing, which is literally stuffed with computers and highly qualified programmers. However, all our requests and applications for assigning some computers and extending help to us in the compilation of vocational counseling programs have not been answered. And who are the losers? The children, of course.

Rumors also about a cooperative association of this type have reached Sverdlovsk's teachers. Yes, there is a cooperative named Khobbi, and it also offers its services to "youths who are thinking about their lives...." However, many here are being watchful. At times, even without having managed to meet the person concerned, cooperative operators undertake to define "the person's main features and to disclose his inclinations and his suitability for a particular job." We have encountered cases where, after obtaining payment, the "magicians" from Khobbi reduce their recommendation to the advice.... "apply to the Vocational Counseling Center of USSR Goskomtrud [State Committee for Labor and Social Problems] at the place of residence." Can you beat that? And 15 rubles for what? For advice to appeal to free consultants?

Or take this case. The cooperative operators issued to 10th-grader Andrey A., with whom I got acquainted accidentally, this in-absentia recommendation: "You have a good predisposition for acting work." Andrey even felt offended: "I have neither the desire nor the inclination for that...." His mamma took a deep breath: 15 rubles for a "valuable" recommendation, and alas, you do not get it back—they have already credited it to the bank account of the cooperative in Perovskiy Rayon. All that is left is the Khobbi complaint leaflet, which preaches: "We are convinced that a man's life is fulfilled by meaning, when he has close friends, a favorite pursuit and a realistic notion about his potential and his capabilities." I do not know who is like that, but I involuntarily recall my childhood, the market in Sharya village

of Kostroma Oblast and the guinea pig giving out mundane "recommendations." You pay a ruble (in old currency), you pull out a ticket—and you learn your destiny....That guinea pig has proved to be durable, nowadays operating in the computer mode....

Advice on choosing a vocation is a very responsible matter, and to give out a carbon copy is not proper. Today, for example, I made notes on four people, and that means four natures, four worlds, four destinies. I do not set myself the goal of giving all four a finished prescription. I have a different aim—to help four people to take a look at themselves and recognize their potentials and to make a correct choice. They do it themselves, taking our recommendations into consideration.

I want to finish my tale with the words of V. A. Sukhomlinskiy, in whose school I was fortunate enough to study pedagogical practice: "Each contact of an educator with one of his charges is, in the final analysis, an inducement of the spirit to do work." We, workers of the vocational counseling services, see this as our purpose.

**Growth of Co-op Movement in Alma-Ata Viewed**  
*18280063 Moscow TRUD in Russian 8 Feb 89 p 2*

[Interview with Mikhail Sergeyevich Khurin, chairman of the board of the Alma-Ata Oblast Cooperative Alliance, by TRUD correspondent for KaSSR O. Kayatkovskiy: "Their Own Interest" at the Service of Society"; date and place not given]

[Text] TRUD correspondent for KaSSR O. Kayatkovskiy spoke with M. Khurin, chairman of the board of the Alma-Ata Oblast Cooperative Alliance, about problems in development of the cooperative movement. The subject of the interview was not chosen at random; the cooperative movement is now developing rapidly and vigorously in the oblast of Kazakhstan that contains the capital.

[Kayatkovskiy] Mikhail Sergeyevich, your alliance was established considerably earlier than others, including the one in Moscow. And, as far as I know, the Cooperative Alliance of Alma-Ata Oblast was created without complications or obstacles and doubts which quite often arise in such cases in other regions of the country. Unless the easy birth was deceptive, what is the basis of its being maintained, and how do you explain it?

[Khurin] I would not say the birth was all that easy, but that is not the point. Today, in my view, it is precisely by the level of development of cooperative labor and self-employment that one can judge the level of interest of ispolkoms of local soviets in solving social problems.

I will give an example of this approach. In the most remote rayon of the oblast—Narynkolskiy—a deposit of brown coal has been well-known for a long time. Its reserves amount to 70 million tons, and its ash content is only 12 percent. According to state calculations, more

than 100 million rubles would have to be invested to begin to work the deposit. They have been reluctant to make those outlays. Coal has been brought into Narynkol and also neighboring rayons from truly the other end of the world—from Ekibastuz. This coal cost 36 rubles per ton. The cooperative "Medeo" proposed developing the deposit by spending only 15 million rubles on development. The soviet authorities in the oblast reacted instantaneously. The cooperative, whose members include 150 highly skilled miners, received 1.7 million rubles in credit through the bank. The oblagroprom has purchased from "Altayzoloto" equipment which it has turned over to the cooperators. The association "Almaataagropromtrans" stood as guarantor for "Medeo." I have just been in Narynkol. The cooperative is doing a remarkable job—the stripping operations have already been completed, and the approach road has been laid. I think that the preliminary calculations are being borne out: by producing 300,000 tons of fuel next summer at a cost of 20 rubles per ton, the cooperative "Medeo" will not only earn a profit amounting to more than 7 million rubles, but will also help to finally solve the coal problem in the remote areas of the oblast and bring a social benefit....

[Kayatkovskiy] Presumably, there are also other examples of how the initiative of savvy cooperators has met with a response in the soviet?

[Khurin] Of course. We are now on the threshold of creating an enterprise which will receive credit financing from a foreign firm. Documents have been prepared to build a plant near Aima-Ata to process onions, potatoes, and vegetables. "Firmachi" from the Netherlands has agreed to become the trading partner of our cooperative "Iveriya." Judge for yourself how important this contact is to the oblast. About 40 percent of the 200,000 tons of vegetables we produce every year actually goes to waste—mainly because of the absence of processing plants. Now there is a practical opportunity with the help of cooperatives and the attraction of foreign capital to raise the level of vegetable processing in the oblast to a qualitatively new level. But how did it all begin? Aleksandr Golovenko, a forester by occupation, an enterprising and talented man, who at that time was chairman of the cooperative "Sinigorye," came to the oblispolkom. The cooperative of which he was a member at that time had been putting by the "gifts of nature." Golovenko asked: Help us organize marketing abroad so that we can get foreign exchange. He was told: We will help, but the Western businessmen should be turned toward the more acute needs of the oblast.... That is the origin of the idea which is now being pursued by the cooperative "Iveriya." And Golovenko himself now heads the foreign-economic industrial-trade cooperative, which in our alliance is concerned entirely with marketing.

[Kayatkovskiy] What is the structure of the Cooperative Alliance?



[Khurin] It includes about 40 cooperatives and a few large enterprises, such as, say, the Alma-Ata Furniture Production Association. The founding assembly has decided to set up its own cooperative bank. There are 12 cost-accounting (khozraschetnyye) sectors operating in the alliance—to organize wholesale and retail supply and sales, for timbering, woodworking, and furniture production, the agroindustrial sector, the transportation sector, and others. The first joint enterprises have also emerged.

Our alliance is oriented toward production cooperatives. This is our motto: Above all to make what the state is not producing today, and if possible make it better than it is being produced in the state sector. But we go further than that....

[Kayatkovskiy] You are thinking of the cooperative "Ata-Meken"—"Land of Our Fathers," which is concerned with environmental protection?

[Khurin] That would be one. A rayispolkom set aside 2,500 hectares of land for the cooperative "Ata-Meken." The cooperators are engaged in restoring the area of Baba-Togan, which was damaged during the voluntaristic construction of the Kapchagay Reservoir. It is in the Baba-Togan area that the last Kazakhstan tiger was killed 40 years ago. "Ata-Meken" intends to restore not only the flora, but also the fauna of this remarkable little area. It has already achieved encouraging results in the reproduction of pheasants and bustards, wild boar and the gazelle dzheran, and valuable fish species.

[Kayatkovskiy] "Ata-Meken," as far as I know, has also "set its sights" on the Great Silk Route.

[Khurin] And the Cooperative Alliance agrees with it. Incidentally, we have created a sector for tourism and athletics for that purpose. From Dzhambul to the border with China, there is this ancient road over Kazakh soil. Year after year it has been attracting more and more tourists from the Western countries passing through. The section of the route that passes through Semirech has not even the smallest conveniences for tourists. And so the cooperators will build motels and campgrounds—so that some of the foreign exchange will stay with us....

[Kayatkovskiy] So, we have become convinced: the common effort of the cooperators with the support of soviet authorities guarantees the stability and boldness of the movement. But when will ordinary workers feel the results of the work of the cooperators in their everyday life?

[Khurin] The "pressure" of our cooperators on the market will be clearly noticeable when next year's harvest is being processed. Soviet authorities in the oblast firmly intend to make the transition next year of all rayons of the oblast to self-sufficiency in fruit and vegetables with the help of cooperatives. A base cooperative for production, procurement, storage, processing, and distribution of these products is now being set up in every rayon. For example, in Kaskelenskiy Rayon the cooperative "Iveriya" has already built a salt pickling shop, has received land and a livestock-raising operation, and is working out contract relations with truck gardening and fruit-growing partnerships.

[Kayatkovskiy] Does the alliance tend to fight the unfair income of certain cooperators who are said to have been trying to grab something for themselves?

[Khurin] This is one of our main concerns. Kaskelenskiy Rayon, with its 77 cooperatives, has become the "capital" of cooperators in the oblast. By agreement with our alliance, a likvidkom was recently created under its rayispolkom. This is its warning: Violate the law and the charter—we eliminate you on the spot, without mercy. This is a necessary measure. People who are hangers-on of the cooperative movement discredit the idea and hurt the cause.

[Kayatkovskiy] What is your biggest headache now?

[Khurin] If we are to speak in general terms, it is getting the most complete information at every moment about all the areas of the life of the cooperatives both in one's own oblast and throughout the country. To speak in specific terms, we expect a great deal of the Cooperative Bank, whose charter has been registered with USSR Gosbank, and of the credit of \$100 million which an American firm is opening. That means new opportunities and new business....

## ORGANIZATION, PLANNING, MANAGEMENT

### Armenian Machinebuilding Sector's Post-Earthquake Status Discussed 18230036

[Editorial Report] Yerevan KOMMUNIST in Russian for 28 March 1989 carries on page 3 a 500-word article By V. Adamyants entitled "The Plant Will Live." He describes the efforts to rebuild the Kirovkan precision instrument plant, destroyed by the earthquake. Adamyants notes the material and monetary help which the Kirovkan plant is receiving from organizations such as the design construction association Armstankostroy and the Moscow design institute Giprostankok. He reports the adoption on 2 February 1989 of the USSR Politburo Commission's protocol "On reconstruction and expansion of the precision tool plant" and adds that the plant site was visited by USSR Council of Ministers Chairman N.I. Ryzhkov, USSR Minister of the Machine Tool and Tool Building Industry N.A. Panichev, and other officials.

On 29 March 1989 Yerevan KOMMUNIST in Russian carries on page 1 a 600-word Armenpress article covering the press conference given by I.S. Silayev, USSR Council of Ministers deputy chairman and chairman of the USSR Council of Ministers Machinebuilding Bureau. Silayev cites the following statistics: Out of the 41 machinebuilding enterprises in Armenia, producing R1.4 million worth of products annually, 21 were either partially or completely destroyed by the earthquake. The toll includes 8 plants in Leninakan, 8 in Kirovkan and 5 in Stepanavan, Maralik, Spitak and other locations. More than 245,000 square meters of production area were lost. According to the report, renovation of the plants will also provide them with new modern technology and equipment. More than R300 million will be devoted to construction of housing, pre-school institutions, and sports and health facilities.

### Startup of Intersectoral State Association Noted 18230033 Moscow IZVESTIYA in Russian 13 Feb 89 morning edition p 2

[Article by V. Romanyuk: "Soviet Concern: First Steps"]

[Text] The intersectoral state association "KVANTEMP" [Cooperative All-Union Association of Science and Technology in Electrical Equipment Building, Machine Building and Production] has begun to operate. The concern was formed from the enterprises Minpribor, Minstankoprom and Minelektrotekhprom.

The first question: has a new form of ministry or administration been created? Is this not an attempt to revive and develop the obsolete administrative-command methods in a modern structure? Chairman of the board of the concern, Yuriy Vladimirovich Skokov, removed the doubt from the tribune of the Moscow

Municipal Party Conference. An organization differing fundamentally from everything that previously existed in the country has been created. Its structure resembles that of the present joint-stock partnership.

The concern was not born suddenly; preparation was laborious and prolonged. In regard to Yu. Skokov, he is not an economist but a radiophysicist by education. As head of the NPO "Kvant" and then of the first Soviet concern, he understands economic matters like his ABCs. He has another advantage: he is free of dogma. As a representative of the exact sciences, he quickly perceived the internal contradictions of the traditional economic mechanism. I recall a comment he made at one of our meetings.

"In order to stay on the path of self-development and to master a new technique, it is necessary to have an effective mechanism. Instead, frequently we have only declarations."

The regulations emphasize that the administrative agencies resolutely refrain from command methods, even from the temptation to create centralized funds. The executive direction staff is extremely small, consisting of 20 persons. Even this permitted some reduction of administrative units, including 2 deputies of the general director, in the "Kvant" association. The regulations indicate that MGO has the responsibility for obligations of the enterprises and organizations included in it. These, in their turn, are responsible for the obligations of the concern by their own end results.

It was important to size up for ourselves the essence of self-financing and self-development. Not in slogans but in real life. Here is what we learned. Conducting scientific and technical commodity production under conditions of self-financing, the collective found itself in bankruptcy, even at the highest contract prices. Expenditure on science was never considered previously and, when this had to be done, it was found that they could not be measured by gauges which apply to series articles. The conclusion was not comforting: the new conditions of management give priorities to technical re-equipping but do not guarantee self-financing. Even if all of the profit is kept for oneself, it still does suffice for self-development. It seems that it is useless to fight against privileged standards. A blind alley?

It was not possible to use ready-made decisions or to profit by elaborations of economic science; these were not generally available. One thing is clear: it is necessary to find a path to profitability. How? The amount of profit increases more quickly if production costs are reduced. But with articles released more than 5 years, usually they skim the "fat" and then begin to mark time and then stagnation occurs. This means that, for a 5-year period, an average of 20 percent must be completely renovated each year. This requires real involvement of

developers in the possibility of participating in profits when the interests of scientists and production workers are tied up in a single order.

"I am not prepared to pay immediately even for a beautiful drafting," admits Yu. Skokov. "But, I am prepared to divide part of the profits in the first 5 years of output of an article. If it goes well, the author will receive much more than he asks for, in the end."

Being acquainted with the experience of Western corporations, we took, for re-equipping, the capital return concept instead of the usual output-capital ratio. Here the dependence is: if output from one ruble of investments on scientific research and experimental design operations is below 3 rubles and, on experimental technological operations, is below 6 rubles, production is inefficient. The association was developed with consideration of this circumstance, that is, with the reference mark on high capital return.

Today this concern includes 24 enterprises and organizations from 14 cities and 5 republics of the country. The powerful scientific and production potential makes it possible for the concern to carry out independent development of a complex of scientific and technical programs of state significance. When MGO was formed, it included 50,000 persons with production equalling 550 million rubles. After 5 years, production increased up to 1 billion rubles and, in the 13th Five-Year Plan, it will increase up to 2.5 billion.

What a scale! In order to function normally, it requires annual delivery of 150-200 million rubles in high-quality new production and this requires scientific research and experimental design operations to an amount of 40 million rubles per year, including half of this in basic research.

The association of enterprises in the MGO removed problems of organization of joint specialized shops and cooperative productions. There soon appeared joint developments of new technologies, and an association of finances for social development and the provision of practical financial assistance to one another. However, let no one fall under the delusion that the concept "redistribution" here has anything in common with the growing practice of rewarding those who are lagging behind at the expense of outstanding workers. In the interrelations between enterprises in the concern and also with firms not in the concern, there is not 1 grain of charity: only 1 principle, the commercial principle, is acting. Each of those participating in elaborations has the right not simply to a bonus but also to dividends from sale of the article. There seems to be promise in giving a single attractive payment for an idea, or, as they say, "for the thought."

Individual, as if random, parts of such a mechanism were: elements of profit and loss accounting, grains of one's own experience and that of progressive foreign

firms. In "Kvantemp" there was an enterprising and far from insipid process of selecting and testing these parts and assembling them into a new efficient model. At the same time, the logic itself of the development required expansion of connections and the overcoming of notorious interdepartmental barriers. They can be overcome in different ways. Here is a situation for you. "Kvant" desperately needed a scarce material silicon, for output of heliostations but its supplier, Mintsvetmet, could supply hardly a gram. What to do? Acting strictly within the framework of traditional thought, elaborated over years of complete authority of the administrative-economic system, one would petition the government for adoption of a special decision. Another way was to interest metallurgists, suggesting that they participate in profits from production of heliostations. This proposal attracted them and they produced silicon in amounts above the state order.

Thus, gradually, the efforts of enterprises of different departments and different specialization were united, not on the basis of agreements at state-planning, ministerial or even governmental heights and regulations ensuing from this, but on the basis of mutual interest. It dictated new principles of relations, a new structure and new methods.

MGO is a union of collectives, voluntarily uniting in a unified intersectoral scientific-production complex for providing mutual assistance. In what? First of all, in rapid renovation of production released, in the improvement of its scientific and technical level, consumer properties and capacity to compete. Enterprises in the concern maintain their independence, trade-mark and current account. The higher agency is an elected assembly of labor collectives and not appointed colleagues.

A supplies and sales firm, a production and construction association, a foreign trade firm and an intersectorally integrated commercial bank function within the intersectoral state association.

I met chairman of the board of the commercial bank, M. Tumanov. He obviously is impressed by the commercial nature of interactions of enterprises within the concern. The bank's commodity is its credits and the interest which they pay to shareholder-enterprises are, in the final analysis, transformed into dividends, going into their account. The bank of intersectoral integration is not connected by rigid rules as special banks are. If needed, it may issue credits on a confidential basis, at minimal percent of interest and then altogether interest free in order to put an enterprise tied up in debts back on its feet.

As an example, consider Krasnodarsk Machine Tool Association imeni Kalinin. It had vast above-norm reserves. The special bank rejected it but the commercial bank immediately issued credit for 6 million rubles from its own charter fund. However, it reserved the right to recovery of loans, the so-called factoring operation. The



collective avoided bankruptcy and was able to pay wages on time. Imagine, says M. Tumanov, the machine builders had a taste. Now they are asking for temporary financial assistance for reconstruction of an automatic line, credit amounting to 300,000 rubles for social development and half a million for technical re-equipping.

Still another administrative link of the concern is the recently created foreign trade firm, "Kvantor." Its director, O. Levchenko, said that the firm does not simply push through commodities of the concern on the foreign market but, first and foremost, arranges different kinds of collaboration. In the first 6 months of activity, connections were established with 6 firms in Bulgaria, Czechoslovakia, Poland and Eastern Germany and 10 contracts were signed. A general purpose device "Nitrat" for checking the ecological purity of vegetables, fruits and water, was developed jointly with the Bulgarian firm "Elektron." An original heliomobile was created with "Balkankarom." An artificial blood circulation device was developed jointly with Western Germany firms.

Here we ask the question which is so ticklish, so unavoidable: for all of that, are they concerns or ministries? First deputy chairman, Gosplan SSSR, S. Sitaryan, thinks that the merging of ministries and the creation of concerns is a single process. The boundaries between sectors are being broken and enterprises of extra-departmental status are being born. Both structures will be improved. Yu. Skokov is also cautious about the idea of elimination of ministries. He thinks that ill-considered, destructive criticism of ministries brings greater harm than good. It is possible, of course, to pull down this entire hierarchic pyramid. But without first creating new, active administrative structures, you are no better off than at the start?

We say this: sectorial ministries will exist just as long as enterprises need them. Economic personnel were connected to the state by an "umbilical cord," which fed them everything they needed, for 10 years. The radical reform acts as if it cuts the "cord" and forces the transition to self sufficiency. A difficult process! Many business executives today simply do not want to recognize this since they are attached in spirit to a command-administrative system with its whip and cake. The concern was created in order to learn to live without ministerial "assistance."

## RAIL SYSTEMS

### Central Asian Railroad Restructuring Reviewed *18290115 Moscow GUDOK in Russian 29 Jan 89 p 2*

[Article by O. Federov: "Without a Superfluous Unit"; first paragraph is GUDOK introduction]

[Text] This is the third year of major restructuring on the Central Asian Railroad, and to be more precise, a demolishing of the structure and technology of the administration. A unified dispatcher center has been created, the route service enterprises have been combined and 47 low-activity enterprises and subdivisions, including five divisions, eliminated.

The results of the work in the new way provide serious food for thought: some 8.5 million tons of freight above the assignment were transported, labor productivity growth rates tripled, over 59 million rubles worth of above-plan profit were obtained, and over 12,500 workers were released to the national economy.

Restructuring on the mainline is accelerating the turnover. Beginning on 1 January of this year, the Tashkent Division, the major one on the road, was abolished. This was a bold and unusual step. It was not taken hurriedly, it was the logical conclusion of great preparatory and purposeful work on improving the administration. The need to increase transport volumes posed an expensive problem—automating and optimizing the operational directing of the train work. The old administrative methods became obsolete, and made it impossible for the dispatcher staff to direct the traffic efficiently and with high quality. It was necessary to seek new, more efficient methods.

Last April the road administration began to operate a unified dispatcher center, equipped with the newest teleautomatic and communication devices and with computers. Setting it up ensured a qualitatively new level of traffic control. The dispatchers of the Tashkent Division began to work here instead of with the road division. The most important function of the division—dispatching—faded away and became unnecessary.

The work experience of the unified center proved: administrative efficiency is sharply increasing.

Centralization of train traffic management is continuing. As early as the first quarter of this year it is planned to convert the dispatchers of the Bukhar Division to a unified center, and the Fergana and Dushanbe—partially. The train operation of a polygonal net stretching for many hundred kilometers will thus be controlled from the Tashkent control board.

The advanced new methods of traffic control, as anticipated, "cut" the structural subdivisions of the road off from transport organization. Division functions increasingly went directly to the appropriate services of road administration. Parallelism and duplication in the work of a division and services was shown to be useless, and even a hindrance.

Many of the road's numerous clients immediately felt this. Seeing that the division now has only a slight effect on the operational problems of shipment, the consumers switched to railroad service. It became obvious: the presence in Tashkent of two transport control bodies was inexpedient. The change in the control technology also led to the need to abolish the administrative unit which had become unnecessary.

The overall management and organizational problems connected with the administration of the Tashkent Division were entrusted to V. Zheltoukhov, first deputy chief of the road. It is not an easy task for him—after all, he must reduce the staff by 100 administrative workers. It is clear that among them there are dissatisfied ones, who are writing complaints to all the authorities, and the road administration must investigate each one carefully.

"Essentially," says V. Zheltoukhov, "we are now being attacked by the eliminated, bureaucratic stratum, which has become unnecessary, those who cannot see the interests and benefit of the matter because of their own personal interests. There are few of those, however. The overwhelming majority of the division workers, and we have more than once discussed with them the preparations for restructuring, fully approved the abolishing of the superfluous unit. Economists' estimates show that eliminating it will improve the operating indicators. This year at least 1.7 million rubles will be saved. In addition, reducing the wage fund will yield another 250,000 rubles. The total is about 2 million rubles.

This saving has not neglected the interests of those who were cut—assistance will be given to everyone, with specialized employment in strict accordance with the law.

What will replace the division that was abolished? On this account, a clear-cut concept has been worked out in the road administration for transition to a two-unit principle of management, fully complying with the USSR Law on the State Enterprise. Management and control of the production-economic and financial activity of the line subdivisions, as well as the combined solution to the social problems, is entrusted to the appropriate services and administrative divisions of the road. These subdivisions will be reinforced with qualified personnel.

In addition, a special directive is being created on an independent balance sheet, which is concerned with transporting cargoes and passenger service. It is directly subordinate to the road transport service.

**Economist Notes Rail Service Problems, Losses**  
*18290058a Moscow SOTSIALISTICHESKAYA*  
*INDUSTRIYA in Russian 4 Jan 89 p 2*

[Article by M. Kaganskiy, economist: "In the Cost Rut"]

[Text] Statistics is called the "poetry of numbers." Indeed when you read the statistical summaries of some departments, you are bewitched by the sweet-sounding numbers. The year shipping plan was overfulfilled ahead of schedule on the 25th of December. Tens of millions of tons of freight were shipped in excess of the target. A third of the roads have surpassed the control figures.

The railroad "time machine" speeds onward leaving its initial plans far behind. But those who use the railroad's services are at a loss to understand why—given such enormous overfulfillments—they are unable to receive their vitally important, planned freight on schedule and in full quantity.

What is the situation? It would seem that the work of transport is planned at all levels all the way from USSR Gosplan down to each individual station. There is a multitude of plans: long-range, annual, quarterly, monthly. Under these conditions, it would seem that the transport conveyor should run like clockwork. But it is skidding.

One of the heaviest bricks in the foundation of trouble—the gross indicator [vaf]—has long been known. How many lances have been broken in the battle against it! Notorious ton-kilometers were thrown from the pedestal and were replaced by tons. What was thought to be a revolution was merely a palace coup. It was the gross indicator only in different garb. Why? Because two-thirds of the railroaders' income depends on the volume of shipping.

Five-year and one-year shipping plans, the state order, the system of financing, ceilings and norms pursue one objective—volume, volume, volume. Because the decline of volume is a tragedy for railroaders.

The gross indicator also dictates plan strategy. Since the most important thing is not to deliver but to transport, the end address is washed away: it is not the station of destination but the road of destination. The Moscow road is scattered over 15 or so oblasts. It has almost 200 stations in the capital oblast alone. With this kind of planning—which is left to "grandfather in the village"—some stations have a surplus of railroad cars while other have a shortage.

Planning flaws are occasionally compensated by the unjustified investment of considerable resources in the construction of stations, warehouses, and additional tracks. Railroaders are not the only ones doing this. Metalworkers, for example, have accumulated unloading gear capable of processing a threefold (!) flow of freight. But they do not even cope with single-fold flow because

the trains move according to the principle "stuff today and starve tomorrow." The situation is not better in the coal industry and many other branches. Railroaders receive tens of millions of rubles in fines for the arrhythmia that they themselves have caused.

The locomotive races along in its rut. The gross flywheel gains momentum. This year it is planned to carry 4.2 billion tons—100 million tons more than planned last year. There is already talk of 5 billion tons in the future.

As specialists, railroaders in private talks consider this a harmful practice: transport costs are becoming astronomical. But as Ministry of Railways officials, they must implement this policy. It feeds them. This is why branch leaders end every meeting with the sacramental words: "Give us volume! And woe to those who do not."

But this is not everywhere possible today. A number of railroads could not cope with the volume assigned to them from above. Does it matter that others made up this lag?

According to the most modest estimates of the Institute of Integrated Transport Problems of USSR Gosplan, the nonobservance of customers' demands costs 18-20 billion rubles.

Specialists believe that it is essential to reexamine the previous guideposts, to concentrate not on gross volume but the quality of transport service. Today this is a deformed concept. Quality is understood to mean purely departmental indicators: the turnover of railroad cars, the productivity of rolling stock, rather than delivery according to schedule and other "consumer" parameters pertaining to shipping.

How can this be done in practice? Some scientists specializing in transport propose the creation of a higher quality shipping system depending on the category of freight. This includes the delivery of freight by previously guaranteed deadlines according to a tight schedule. The delivery of expensive perishables by express trains traveling at the speed of passenger trains. Shipments that take into account individual features of the cargo, for example, dimensions, hazards...

Raising the quality of service naturally requires additional expenditures that the customers agree to compensate. Railroaders themselves estimate that if only 10 percent of the shipments are "oriented" toward the customers, this will mean a half-billion increase in incomes. Is it so difficult to bend down to pick up these 500 million?

"There are not sufficient reserve capacities," the branch's leaders explain. "The capital investments are too small. Industry fails to observe its schedule for delivering rolling stock and material-technical resources."



All that is so. But in the face of such poverty, it would seem that the railroaders would examine every ruble under the microscope and would measure not seven but seven times seven before spending it. But how do matters stand in reality?

USSR Promstroybank reported: the Ministry of Railways is building a large number of facilities that do not yield a return. For example, the 300-kilometer Pogromnoye-Pugachevsk line was commissioned in 1981. Three hundred million rubles were spent on it, but it has not practically been used: it brings only losses. The same is true of the Idzhevan-Razdan, Yevlakh-Velokany, and Marabda-Akhalkalaki lines and of many other sectors. It is also unpleasant to speak about the Baikal-Amur Mainline: the losses during the five-year plan will pass the billion mark.

And they are only major financial losses. And how many "small" losses are there that amount to hundreds and tens of thousands of rubles! So it is that the transport workers have something to search for in their granaries.

But what if one also "digs" among the customers? Different ministries and departments keep hundreds of locomotives, tens of thousands of railroad cars, and numerous loading mechanisms. The network of industry's sidings equals the length of mainline railroad tracks. Clients are prepared to place a "second Ministry of Railways" at the disposal of railroaders. But with the condition that it work according to a single technology oriented toward the end result rather than toward shipping for the sake of shipping.

Such transport technology systems already exist formally: metal-workers and coal-miners have them. However, here, too, under the conditions of close technological dependence, the orientation of the railroads toward the gross indicator is frequently at odds with the interests of the customers and makes them the hostages of transport.

Present khozraschet on the railroad is one-sided, is khozraschet for self, in a manner of speaking, for internal use. Neither USSR Gosplan nor the Ministry of Railways is in a hurry to get out of the rut, preferring the cost-is-no-object, ruinous road. The road that leads to an impasse.

#### **Freight Congestion on Far Eastern RR Noted** *18290058h Moscow GUDOK in Russian 6 Jan 89 p 1*

[Article by V. Tsimbalov, TASS correspondent: "How Congestion Develops"]

[Text]—Yuzhno-Sakhalinsk—Thousands of tons of rolled metal, angle irons, roofing, and other materials so badly needed in Sakhalin did not reach their destination

according to schedule. This was not the result of crime, larceny or the theft of railroad cars. Alas it was the usual thing: the buildup of large-scale congestion on the Far Eastern Railroad.

It is "programmed" by the unique methods used in planning freight shipments. Everyone shipping products to Sakhalin must not indicate Yuzhno-Sakhalinsk, Kholmsk, or other destinations on the island in the waybill, but must instead indicate Arkara, which is located thousands of kilometers away in Amur Oblast.

Once a bottleneck has developed on the road, it cannot accept any more cars. Therefore, in these cases the Ministry of Railways issues a "convention" prohibiting the shipment of freight over the Far Eastern Railroad.

"And this means that there is precious little we can hope for," said I. Kobrisov, chief of Sakhalinglabsnab's deliveries oversight department, by way of commenting on such a telegram. "Judge for yourself. Let us say that a rolling mill in Lipetsk has produced hundreds of tons of pipe of a certain diameter for us. The enterprise manufactured them but has been unable to ship them to the island for a little under a week. Will such scarce items be left in the warehouse? Especially if such a thing happens toward the end of the year? No, of course not."

And here is the curious thing. No one bears responsibility for such a disruption in the delivery schedule. Neither the railroad nor the enterprise-shipper.

How can such a tight knot be untied? In the Sakhalin division of the Far Eastern Railroad, L. Khaynovskiy, chief of the department of container shipping and commercial work, points to a map of the nation's railroads that takes up almost half the wall:

"Imagine how important it is to coordinate precisely the sequence of shipment of freight to Sakhalin from different points in the USSR, for example, from Tashkent, Kiev, or Murmansk so that the shipments do not all pile up in the port of Vanino all at the same time waiting to be transported to the island."

"It is probably necessary to forecast this spontaneous occurrence and to control the process so that the congestion does not develop. Is that not so?"

"But it turns out that this is impossible. And this is why. In the planning stage, that is, before the month in which freight is to be shipped, the railroaders do not know where they will have to haul this freight. That is how it is," he stated. "In their monthly requests [zavazki], the shippers do not indicate the destination much less the consignees. Hence the first paradox: when the shipping distance is unknown, it is impossible to determine the freight turnover that lies ahead, to prepare technical means—locomotives, cars, containers—accordingly, and to determine the traffic capacity of individual sectors and entire routes."

"Is planning left to 'grandfather in the village?'"

"You have put your finger on it. It is true that when freight is actually delivered to the railroad for shipment, the enterprises precisely indicate the destination and the consignee in the waybill, but no one really controls this process. The result is thrombosis at stations or on entire routes. Hence the conclusion that there is dire need of a single coordinating center with an electronic memory capable of efficiently determining the sequence of shipment of freight to different consignees."

"In other words, you are talking about anticipatory control that would not permit critical situations to develop," L. Khaynovskiy said in summary.

And, we add, the rampant growth of the country's railroad car fleet. After all, no method exists to date for determining the necessary quantity of rolling stock required to meet the national economy's freight shipment needs. As long as you do not know the destination and the distance you have to haul the freight, you naturally cannot know how many railroad cars you will need.

However, as the person I was talking to emphasized, the situation we are analyzing is more the misfortune than the fault of the Ministry of Railways. Ten years ago, L. Khaynovskiy published an article in PRAVDA entitled "Impasses and Freight," in which he analyzed the reasons for congestion on the railroads. Already at that time, the author set forth constructive proposals relating to the organization of flows of railroad cars. His remarks won the support of scientists, specialists, and the leaders of the Ministry of Railways, but did not reach the ears of the nation's Gosplan and especially of USSR Gosstnab. The railroads' demand that the destination be precisely indicated in plans for shipping the national economy's freight is ignored to this very day.

The economic reform and the new economic levers that are brought into motion are by their very nature incompatible with the spontaneous planning of freight traffic which results in wasting hundreds of millions of rubles of state resources. Redoubts of bureaucratism in USSR Gosstnab and a number of ministries and departments obviously do not want to surrender. They point to procedural difficulties in filling out the corresponding documents. We note that they are by no means complicated. They complain that staff increases will be necessary to draft unwieldy plans, that these operations will require a great deal of time and effort.

"Permit me to disagree with these arguments," says L. Khaynovskiy. "The paperwork can be reduced if we combine the plan for material-technical supply (it already exists) and the freight shipment plan into a single document. What is more, the single document can be made in a form that can be easily processed by computer.

What else can be added to this?

### Tank Car Shortage at Bashkir Refineries

18290072a Moscow GUDOK in Russian 17 Jan 89 p 1

[Article by I. Tregubov, GUDOK free-lance correspondent: "Kuybyshev Railroad: Onerous Empties"]

[Text] Ufa—During December alone, Bashkir refineries failed to dispatch an average of 2,000-2,500 tons of their product to consumers every day. Seven plant installations had to shut down because of the product surplus. The situation has not improved in January.

The reason is that there are no tank cars. It has already become a rule on the Bashkir Division to begin each day by sharing what there is. They send the empties, first of all, where production is on the verge of stopping. The Ishimbayevskiy Plant was in an especially critical situation: They often could not ship from there up to 10,000 tons of petroleum products a day.

However, there is a paradox here: With a very acute shortage in the division ... there is a surplus of empty tank cars. Arrive here from any direction and you will see them without fail at the very first station, often in whole consists filling two-three tracks. From the snow-drifts and—in the summer—from the weeds near their wheels, it is not difficult to determine that they have been laid up for a long time. The number of these tank cars, which have been cut off from work for a long time, varies; however, on the average approximately 1,500 stand idle in the division.

Why do they not use them to transport petroleum products? Because of the large residues from the cargo. And not of gasoline or fuel oil, with which problems—generally speaking—do not arise, but of something unknown to the railroad workers. They are not always able to determine the product—you see, there are hundreds of them and the most diverse ones: toxic and explosive ones which could react with unforeseen consequences when mixed. What to do with them? ... Not one of the division's five washing and steam cleaning stations has decided to take a tank car with such products to the trestle for processing.

From where did the dirty empties come? You see, tank cars, which are intended for transporting chemicals, are usually leased to the shipping enterprises. "Immediate return" and the name of the owner and the registration station are stenciled on them. When they are returned, each should also have a transfer record with the unloading station and type of cargo indicated in it. Unfortunately, this procedure is being violated and it is not always possible to find the owner or those who have not completely emptied the rolling stock.

The majority of railcars laid up on the Bashkir Division do not have the stencil. On some of them it has been carefully scraped off and the transfer record, which has been repeatedly corrected, is an unsolvable rebus.

In shifting to the Belorussian method, many stations have reduced receiving and shipping personnel and there is now no one to check whether the railcars have been completely unloaded.

Even the Kuybyshev Railroad's administration does not trouble itself too much with checking the empties sent to the Bashkir Division. One December day, for example, the shipping service workers returned to Ufa a consist of 82 tank cars destined for the Central Asian's Kizil-Arvat. It later turned out that all of them were defective and were sent for repairs by means of a special prescription. A train arrived somewhat later from the Volga Railroad station of Trusovo. According to advance information, with empties suitable for fuel oil. Indeed, all of the railcars were chemical ones.

What is the division now doing with so-called unmarketable tank cars? As they are accumulated, it transfers a portion to the Ministry of Railways reserves. Although this measure saves the division's indicators by reducing expenditures for depreciation, it does not solve the problem.

Unmarketable tank cars are put into order at several chemical enterprises. However, this is still miserly when viewed against their total amount.

A complicated question: How to determine exactly what chemicals are in the residues? In trying to solve it, the Kuybyshev Railroad's administration in May of last year contemplated building a special laboratory at the washing and steam cleaning station of Urussu. They even allocated money for the equipment and up-keep of the staff. However, they did not manage to realize their idea: Chemical specialists were not found in the settlement at the station. They could not invite ones from outside—there was nowhere to settle the people.

There also was the idea of creating not a stationary but a mobile laboratory: Let it travel to the stations where unmarketable tank cars are standing idle and determine the type of residue on the spot. But again a difficulty: Where would one get the equipment and chemical specialists....

Discussions are now taking place in the Chemistry Institute of the USSR Academy of Sciences Bashkir branch about performing the analysis of the unknown residues in its laboratories. There are still no contracts, but it is already known that this will cost the railroad a pretty penny: One test will cost 80 rubles!

However, even if you resort to such expenditures, the problem will not be solved once and for all. The main thing, and it is not clear, is where to put the chemical car residue.

Would it not be simpler to approach this problem from another direction—make the control over the use of tank cars, the complete freeing of them of freight and the correct filling out of the accompanying documents stricter? The residues would immediately become fewer!

### **Congestion at Krasnovodsk Ferry Crossing**

18290072h Moscow GUDOK in Russian 17 Jan 89, p 1

[Article by V. Doronin, deputy station chief for freight and commercial work: "Central Asian Railroad: Ferry Suffering"]

[Text]

Krasnovodsk—This crossing connects the Central Asian region with the country's European part. The crossing has been recently operating under an extremely strenuous load and is not coping with the growing freight volume already.

The stream of private automobiles and trucks, such as refrigerator and heavy-duty KamAZ [Kama Motor Vehicle Works] trucks that are equal in length to a freight car, has grown. Cars are still not a very strong competitor but freight motor transport is already squeezing the railcars at the crossing.

In our opinion, a serious design omission was permitted during the construction of the new ferries. Having provided a special deck on them for cars, the designers did not think about a place for trucks—and they have created an acute problem because it is already congested for the railroad workers and automobile drivers on the common deck.

I analyzed the operation of the ferry crossing one summer month. It turned out that the Krasnovodsk Maritime Port requested 19 times by telegraph that our station limit the loading of the ferries with railcars because of a large accumulation of motor vehicles. The port agreed to take responsibility for this. We had to delay the dispatch of more than 170 railcars to Baku.

Comrade Akhmedov, chief of the Caspian Sea Shipping Company knows about all of this; however, the situation is not changing for the better. I can even name days when we could not transport, generally speaking, anything on a ferry, except standard items. The station was expecting the dispatch of railcars with highly perishable freight.

We understand that drivers cannot wait. However, why should our interests be satisfied, without fail, at each others expense? The crossing is not operating for its first year. It has been possible to draw conclusions about the prospects for its expansion and the practical steps that must be taken—the more so since we are talking about an important transport link in this large region.



### Refrigerated Container Production Problems Noted

18290072c Moscow GUDOK in Russian 17 Jan 89, p 2

[Article by V. Kustov, GUDOK correspondent: "The Container Is In a Draw"]

[Text] On orders of the State Committee for Science and Technology the Abakanvagonmash Association manufactured two test containers in 1982 having a nitrogen cooling system. The tests provided good results—the preservation of the products exceeded all expectations.

They recall this episode for this reason. When receiving the meat after the test shipments, the trade workers declared that allegedly 200 kilograms "had been destroyed by frost" in each container. The testing personnel with instruments in their hands showed that no such "destruction by frost" or other spoilage had occurred. It was necessary for the merchants to confess that they had appropriated a portion of the product, which should have been natural losses according to past practice.

Unfortunately, despite the technical and economic merits, the container with the nitrogen cooling system did not find an owner. No one wanted to assume the role of orderer. This, however, did not mean that they rejected the idea itself. On the contrary, it became ever more evident with the passage of time that purely universal containers were not sufficient to satisfy the national economy's diverse requirements. By the middle of the Eighties, a decision had been made to build the second phase of the Abakanskiy Container Plant in the Abakanvagonmash Association. The production of 15,000 containers a year was provided for; 3,000 to 5,000 of them would be refrigerated.

They entrusted the designing to the Moscow Giprotiyazhmash Institute. Alas, the affair went no further than the paper. Finally, in 1986, the directing agencies again returned to the question of refrigerated containers. It was decided to produce, at first, 10 test models in the Abakanskiy plant. The Ministry of Railways emerged as the customer after much persuasion.

A refrigerated container is an interesting item! Its cooling and heating plant permits practically any temperature to be maintained within its body and, consequently, guarantees the complete preservation of fruit, vegetables, meat, fish, and other highly perishable products during shipments to any distance. It is suitable for any type of transport.

Imagine: They ship it from the tangerine plantations in Abkhaziya first by automobile and then by train. To Dudinka—on a barge; again, on a train, and the people of Norilsk purchase tangerines that are fresh and tasty as if they had just arrived from the villages.

Give Norilsk such a "dish"! It will pay for it in full. Yes, and not only Norilsk. Last year, the Krasnoyarsk agroindustrial committee, for example, spoiled products worth 13 million rubles. Give it this wonderful invention. Give it to other customers—no one will refuse. Only, please do it quickly.

On the territory of the assembly and welding shop, they have fenced off a small section and set up machine tools and equipment. Here, they are welding frames and assembling the basic elements of an outer casing. A total of 12 people—workers in the experimental section—headed by Vitaliy Zhukov are working even on their days off, using the shop's container lines that are not operating at the time on their main function.

Zhukov's capabilities, however, are more than modest. In deciding to build the test models, the directing agencies required the Ministry of Chemical and Petroleum Machine Building; Ministry of the Electrical Equipment Industry; Ministry of Instrument Making, Automation Equipment, and Control Systems; Ministry of the Aviation Industry; and Ministry of the Chemical Industry to insure the delivery of component equipment, instruments and materials. Only these reliable partners and co-producers have constantly let the factory down.

V. Shaforostov, the factory director, states sadly: "Not a single ministry is fulfilling the obligations imposed on it. This circumstance is delaying the manufacturing of the test lot. We ourselves are not able to do everything completely. We are even ready to send our workers to the cooperating plants to accelerate the task...."

Support, dear comrades, those responsible! Having lost hope for the delivery of domestic cooling and heating plants, the plant purchased all ten from the Finnish Rautaruukki firm, paying the whole sum in exchange rubles. Rivets are needed—those that they use in the aviation building industry and which they produce in entire mountains. Rolled aluminum stock of a special type is needed—the Krasnoyarsk Metallurgical Plant is obliged to deliver it. Should all of this really be purchased abroad?

The plant personnel are not only worried about the ten test models. They also talk about series production of the refrigerated containers since there is a colossal economic effect from them and the opportunity to keep up with the rapidly changing situation in the world marketplace. To step into the future or to stay in the past—thus, and only thus, is the question posed.

This is why the coming many months of tests, which have been entrusted to the USSR State Agroindustrial Committee, do not seem—let us say—extremely obligatory to the plant directors. What will the tests provide? Europe long ago tested and evaluated this type of container and proved everything that had to be proved. Is this really not sufficient? In the end, let them test. What more is there? What more?

Apparently, no one thinks about this except the manufacturers. There is work, but it is a draw. Judge for yourselves. To operate the new container—lease, with great pleasure. However, to hold it on one's books, to be its owner—to service, repair, and build special machine tools for it—spare me! For example, the USSR State Agroindustrial Committee argues: "Our job is to deliver products and not to mess about with equipment." The Ministry of Railways workers also do not want this bother.

Thus, it is unclear who will be the customer of the new shop for series produced refrigerated containers. Without a customer, it is impossible to understand how many of these containers it is necessary to produce and what the shop's capacity should be. Yes, there is no one to force money out for construction. The site for it has already been set aside, only the new construction project is not in the title list of the USSR Ministry of Heavy, Power, and Transport Machine Building, evidently for the same reason—there is no real owner.

In its turn, the Ministry of Chemical and Petroleum Machine Building is refusing to make a decision about building domestic cooling and heating plants until it receives from the Ministry of Heavy, Power, and Transport Machine Building information on the size of the requirement for the new type of product and on the economic effectiveness from using it in the national economy.

Only how can this amount be determined without producing containers? It seems a vicious circle.

V. A. Sotnikov, the plant's chief designer, believes: "It is possible to find a way out of this if one strongly wants to." In his opinion, they should be able to arrange for the production of refrigerated containers—at first (he emphasizes: at first)—in today's production areas.

They say that a good beginning is half of the work. He wishes to move it from dead center this way!

Concerning the cooling and heating plants, why not use the services of those firms who propose jointly building with the USSR extremely profitable containers? Businessmen from Finland, Italy and Czechoslovakia are ready: the body for them and the plants for us. Why not? All versions are better than swinging and fro for a long time.

Let us return to the problem of the customer. The main thing, it seems, is not who it will be. The main thing is to look at the problem from the viewpoint of tomorrow and not solve it by yesterday's methods where everything new and progressive perished in a bureaucratic quagmire of concurrences—in a black labyrinth of departments. Not only a new container is needed but also a new approach is needed.

### Electronic Dispatcher System Tested on North Caucasus RR

18290091a Moscow GUDOK in Russian 28 Jan 89 p 1

[Article by V. Kurkov, under the "North Caucasus" rubric: "'Don'—the Dispatcher"]

[Text] Rostov-na-Donu—The North Caucasus Railroad's Rostov Division has put a radically new train dispatching system—the Don DTsM [Microprocessor-controlled Centralized Traffic Control]—into trial operation.

The system was developed by a creative group of specialists from the Rostov Institute of Railroad Transport Engineers under the guidance of Professor A. Yavna. Its operational designation expands to: microprocessor componentry-based centralized traffic control with Don used as, well, its proper name.

This job was undertaken by a representative commission of specialists from the railroad and the VNIIZhT [All-Union Scientific Research Institute of Railroad Transport]. Several color displays selected by the dispatcher show the train disposition both for the entire section at once, and for its individual elements. In general, the volume of information coming into the division is such that only in rare instances will the dispatcher have to resort to the telephone or selector.

An experimental 100-km section has been sited on the main Kuban route. Future plans call for it to be extended to the Black Sea coast. The developers and operational personnel have extensive plans. They have to establish the system's degree of reliability, the control safety level and the reliability of the control over train movements and finally, the ability of the dispatcher himself to stand up to a 12-hour shift in front of television screens.

A word about economy. A typical centralized traffic control system on this section would cost R1.2 million. The "Don" DTsM cost R300,000. The enthusiastic responses of the commission members suggest that virgin lands have literally been opened up in this area. There is nothing else like it in world practice!

Such assurances are heartwarming. But unfortunately we know that domestic developments and discoveries are introduced so reluctantly that "world practice", having appropriated the idea, will pass us on the first turn. It would be well for us to remember this.

### Container Freight Delivery Problems Noted

18290091b Moscow GUDOK in Russian 28 Jan 89 p 1

[Article by S. Kasatyy, GUDOK correspondent, under the "Volga (Railroad)" rubric: "Containers Are Not Warehouses"]

[Text] Saratov—The fact that long-undelivered containers are accumulating in a number of railway system junctions and that this is hindering the stations' maneuverability was brought up at one of the selective ministry

meetings. Saratov was not named as one of the "prize winners," but employees of the Volga Transport Procurement and the Oblast KNK [Committee for Scientific Consultation] have been looking into the state of affairs locally. It is gratifying that following this intervention, the number of containers fell from 240 to 179 at the Trofimovskaya-2 Station, where containers are shipped for industrial and construction industry enterprises and a variety of the oblast center's bases.

However, there are still 850 small containers at the Saratov-2 Station yards and 350 3- and 5-ton containers belonging to contractual clients. Nothing has changed here. Following a check of these two stations the Volga Transport Procurement and the oblast Committee for Scientific Consultation held a meeting attended by superintendents of the railroad, motor transport subdivisions, and the enterprises and organizations to whom the freight was addressed.

"Why are our 'injections' needed?" asked Transport Procurator A. Chugunov at the beginning of his address. "The pharmacies are short of the medicines which have been in the containers for a long time. The population is lamenting the fact that soap and other everyday commodities—which can also be found in the container yards—have disappeared from store counters. These yards are also holding up sanitary engineering and other equipment, without which housing cannot be made available."

R. Kalyayev and V. Zvezdin, who are chiefs of the Trofimovskaya-2 and Saratov-2 stations respectively, explained this excessive buildup as due to a lack of organization and irresponsibility on the part of Saratovavtotrans [Saratov Motor Transport] personnel. By the way, Saratovavtotrans Director A. Kokushkin and V. Sonin, chief of Saratovglavsnab [Saratov Main Supply Administration] are to blame for this situation. Neither of them showed up at this investigation, having sent their deputies.

Many years ago the people of Saratov started using the progressive center to receive export from junction stations. This allowed them to abandon their established pattern of independent action, to significantly accelerate their business and to work more efficiently. But someone got the idea of squeezing an additional link—called Saratovtransekspeditsiya [Saratov Transport-Shipping Production Association]—in between the former export center organization and the clientele. It was suggested that general-purpose transport be used to speed up freight shipments. However, the newly-introduced association only increased the number of disruptions in the transport system.

Other causes were also revealed during the investigation. The motor transport people also complained about the fact that poor use is made of the direct alternative at the Saratov-2 station. They say containers should be transloaded from railroad cars directly onto trucks and that

the lighting at the Trofimovskaya-2 Station needs to be improved. In December there were interruptions when the center changed its catenary system over from DC to AC and installed communications and signalling equipment.

And for all that, the main reasons for the accumulation of containers at our stations lie elsewhere. The motor transport people lack information on their clientele: they haul containers to storage facilities and bases where they are not expected and where there are no unloading facilities or equipment. Only one shift handles export freight, and often the bases and storage facilities do not work on Saturday or Sunday. The condition of the roads and approach roads to the container yards does nothing to promote quick deliveries.

The collegium of the Transport Procurement and the Oblast Committee for Scientific Consultation have drawn up a decree obligating the railroad and motor transport people to eliminate their present shortcomings.

#### **Computer Aids Novosibirsk Train Traffic**

*18290091c Moscow GUDOK in Russian 28 Jan 89 p 2*

[Commentary by V. Yurov, deputy chief, shipping department, conducted by GUDOK correspondent V. Vashchenko under the "Fact and Commentary" rubric: "All-Seeing Electronics"]

[Text] The Novosibirsk Division is now the first of the West Siberian Railroad's five divisions to put the basic components of the ASOUP [automated system for the operational management of shipping] into operation.

Our correspondent V. Vashchenko has asked Deputy Shipping Department Chief Valentin Illarionovich Yurov to discuss this topic.

[Yurov] We are presently using computers to monitor the passage of train consists through all junction stations, both outside and inside our division. You just press a button and a display or teletype provides the information you need about the distribution of trains by designation, the types of rolling stock and number of partially-loaded cars making them up, about their locomotives, and the presence of the locomotive brigades.

Behind all this simplicity there stands a great deal of work and the need to overcome technical and even psychological barriers.

Co-workers of the railroad's computer center and the division information post collided with the first—technical—barriers. Process engineers V. Afakasyev and N. Martynenko and programmers P. Levin and L. Genn adapted sample programs to work under local conditions in the shortest possible time. Making the most important element of the system—the information—reliable.



required winning over the employees of the train dispatching offices at the Chulyskaya and Bolotnaya junction stations (headed by M. Salov and T. Dvoryadkina).

The dispatcher staff also had to overcome psychological barriers. A good example was set by Shift No 1 workers, headed by division foreman A. Shestoporov. This collective won a competition held last year and did the most to help the division fulfill the loading plan ahead of schedule.

In spite of the changeover to ASOUP operation (or thanks to it), train dispatchers V. Matyuk and S. Tomilin of this shift were the first to quit using operators' services and start using telegraph sets to handle the schedule. And honored railroad worker A. Kunitsyn, their colleague from the most intensive western section of the Inskaya-Chulyskaya System, and the system's best train dispatcher of 1988, showed how to use the display to keep to the schedule.

Locomotive dispatchers V. Petukhov and V. Kozlov did not wait for the subsystem for operational control of locomotive traffic to be fully introduced, and used ASOUP data to control and plan the locomotive park.

Introducing this innovation makes it possible to handle prior volumes of work with fewer people, helps improve working conditions, improves the caliber of production and helps move train traffic out at a faster pace.

So far, only the basic components of the new system have been put into operation. The main hindrance is the shortage of equipment and the unreliable equipment we obtain. Our computers, channel-forming equipment and line station teletypes leave much to be desired. The signalling and communications subdivisions still do not have enough experience servicing our equipment. We lack spare parts. Many of these shortcomings can be eliminated. The relations of all those involved in using the ASOUP should be built on an economic foundation. A draft plan for a contract between the division and the railroad's computer center has already been drawn up, and deals with the liability of employees for continuous breakdown-free ASOUP operation.

#### Computers Aid Railcar Use Planning

18290086 Moscow ZHELEZNODOROZHNIY  
TRANSPORT in Russian No 12, Dec 88 pp 6-9

[Article by Ye. A. Sotnikov, professor, doctor of Technical Sciences; Yu.M. Langer, candidate in Physical-Mathematical Sciences; A.R. Rubinov, candidate in Technical Sciences; V.K. Tur, engineer; and M.A. Poyarkova, engineer: "Directions of Railcar Movement: The Computer Makes the Calculations"; first paragraph is ZHELEZNODOROZHNIY TRANSPORT introduction]

[Text] The VNIIZhT [All-Union Scientific-Research Institute of Railroad Transport] completed the development, and, in conjunction with the Main Transport

Administration of the Ministry of Railways, began experimental operation of an automated system to determine the directions of railroad car flows (ASONV). It is designed to optimize the use of the throughput and processing capacities of the network.

The calculations presently being made with the aid of ASOUP are mainly directed toward improving the operational correction of the system adopted to organize the railroad car flow. After all, in the practical work of operations, there is sometimes an unplanned increase in the capacity of individual destinations, or new high capacity correspondences arise. Rail work on the lines or modernization of classification stations, snow drifts or other elemental calamities, and a number of other factors substantially affect transport organization. For example, last year the plan for making up the trains had to be changed because of the renovation of the classification stations at Znamenka, Valuyki and Kupyansk, the construction of new tracks on the Seroglazovo-Verkhny Baskunchak section, electrification of the Atkarsk-Anisovka and Trusovo-Aksarayskaya sections, capital repair of the track on the Kharkov-Belgorod section and the Moscow-Riga route, and for many other reasons.

During the year on the network, a total of about 8 million cars have been diverted from the shortest routes. Each of them has an additional average run of 287 kilometers. The diversions of the railroad flows are caused by the lack of correspondence between the required amounts of traffic and the throughput capacities of the sections or the work volumes of the classification stations and their processing abilities. Efficient correction of the organization of car flows specifies a change in the directions of the movement and stations processing the cars, with minimum operating expenditures. At the same time, it is extremely undesirable to have great changes in the existing organization of the car flows.

A characteristic feature of the solution to the problem of automated determination of the procedure for the movements of the car flows on ASOUP lies in the comprehensive use of the throughput and processing capacities of the sections and stations which are regarded as the resources of the network. This indicates that, in correcting the directions of the car flow movements, the possibilities of their throughput along sections and processing at classification stations is considered simultaneously.

ASONV also provides the possibility of less profound changes in the organization of car flows, correcting the directions of the movement of the train routes to one unloading station or for spraying, as well as the directions for the run of commercial routes, without changing the stations processing the car flow. These types of operational corrections in the organization of the car flows are used primarily during temporary changes in the organization of traffic on the sections.

Along with introducing changes into the existing organization of car flows, ASONV includes problems, which must be solved when planning forthcoming transport. An example of this is calculating the diversions of the car flows on roundabout routes.

Due to the overall approach to organizing car flows, just as to optimization of the use of network resources (in the form of its throughput and processing capacities), operational correction, as well as the problems solved on ASONV at the stage of planning forthcoming transport, are presented as a specific case of the overall task of distributing the flows on the networks. This task consists of selecting routes for a sequence of flows, which ensures fulfillment of the assigned plan for transport, given the assigned resources, with minimum expenditures. In addition, it is specified that various additions, taking into account the technological features of the specific tasks, be introduced into the target function. To solve the overall problem, an effective algorithm is worked out. It is based on computing the estimates of the shortage of resources.

The initial transport network is presented on ASONV with detailization up to each train-section (in accordance with the accounting of form TsO-4). Along with the beginning and end of each train-section, it also includes the stations—points of the track connecting with the train-sections, which are not indicated on accounting form TsO-4.

Both the actual sections of single-track and double-track are represented by two (odd and even) directed arcs. Each arc of the network is equipped with symbols: the road code, section number, type of traction (electric—direct or alternating current, diesel), the code for odd or even direction, etc. The amounts of traffic executed are presented for both loaded and empty car flows.

Classification stations are represented with their own classification systems. The total network contains 352 classification systems (285 stations, for which a network formation plan is worked out). For each classification system there is information on the maximum (permissible) and minimum (compulsory) processing volumes, and also on the amounts of time saved, which correspond to the minimum, average and maximum permissible processing volumes. The accumulation parameter is also shown.

The ASONV information base contains the existing plan for train formation in the form of a list of destinations and the strings of car flows attached to them (on a network of 285 stations). For each destination, the route of its movement along the transport network is indicated (taking into account the established roundabout way). In addition, the actual capacity is given for each destination. Used in working out the network are the results of studies made at MIIT [Moscow Institute of Railroad Transport Engineers] in the Department of "Transport Economics," under the direction of M.Ye. Mandrikov,

and at the VNIIZhT [All-Union Scientific Research Institute of Railroad Transport] by collectives headed by V.K. Buyanova and Ye.V. Arkhangelskiy. Data obtained at the GVTs [main computer center] of the Ministry of Railways were used in setting up the ASONV information base.

The quality of the calculations performed by means of the ASONV depends in many ways on the reality of the information on the capacities of the car flows distributed along the network of railroads. Therefore, the ASONV uses a specially developed algorithm, which corrects the planned checkerboard of car flows to ensure its conformance to the actual capacities of the designations.

Let us examine in more detail the task of correcting the plan for forming the trains. The initial data consists of changes in the throughput and processing capacities of the elements of the network (right up to the complete closing of the stations and sections), as well as the changes in the checkerboard of car flows. The problem is solved by minimizing the cost of movement, which is made up of the expenditures for processing at the junctions and movement along the sections (arcs), with limited throughput and processing capacities assigned at the transport network.

Due to the higher cost of moving the strings of car flows along arcs not corresponding to the plan for forming the trains, the car flow can deviate from the prescribed (normative) route only through the effect of the restrictions on the throughput or processing capacity. The peak of the network, at which this deviation takes place, is determined by the relation of the prices of the straight and circuitous routes of the run, as well as by the available reserves of throughput and processing capacities. At the same time, the car flow which has deviated at every other peak of the network will "tend" to follow according to the plan for formation.

The throughput capacity of the sections necessary to process the flow of reserves is the difference between the "graphic" and actual (fixed according to the accounting of form TsO-4) amounts of movement. The maximum volume of processing for the distributed car flow is considered equal to the maximally permissible volume of processing minus the compulsory volume of processing and the sum of the capacities of the flows of "internal arrival."

The strings of car flows are laid out by fulfilling the "woodiness" condition. This restriction is caused by the technology of organizing the car flows: if the cars with a common station of destination go to the same classification station, then they should move together, regardless of the station of origin.

As a result, there is a redistribution of the car flows among the destinations of the formation plan. Thus, not only do the directions of the movement change, but also the stations processing the cars.

The results of the calculations are published in the form of a draft telegram concerning the change in the plan for forming the trains. If desired, a print-out can be obtained for the changed routes of the run, indicating the stations processing each string of the car flow, as well as any information on the parameters of the corrected plan for forming the trains.

The sketch [not included] gives an example of the correction in the plan for forming the trains, which is released from part of the classification work for the Station imeni Maksim Gorkiy. For example, the car flow to the Tselinna and Alma-Ata roads, which was formerly processed at this station and included in the Orsk destination, is diverged at the Likhaya Station for processing to the Oktyabrsk Station (henceforth it follows the formation plan of the Oktyabrsk Station). The car flow to the Central Asian Road, formerly included in the destination imeni Maksim Gorkiy-Chardzhou, at the Valuyki Station, instead of following on to Kondrash-evskoy, is diverted for processing to the Kulyansk Station and farther on, in accordance with the formation plan, to the Debaltsevo Station, where it is included in the destination Chardzhou. Therefore, it passes the Station imeni Maksim Gorkiy without processing. Cars in the opposite direction, arriving in the destination sequence Orenburg-Iletsk-Anisovka-imeni Maksim Gorkiy, are diverted at Orenburg to the Kinel Station. From here, in accordance with the formation plan, they are distributed to the destinations Georgiu-Dezh, Kupyansk, Bataysk, etc.

Let us examine the role of the user of ASONV. He is an active participant in the man-machine system, ensuring a creative approach to both assigning initial data and to accepting the solution. Above all, this pertains to comprehending the difficulties involved in transport operations. After deciding precisely what parts of the flow, with respect to value, should free certain specific elements of the transport network, the user determines the method of correcting the organization of the car flows, i.e., selects the specific task from those specified for solution on the ASONV.

Correcting the plan for train formation. To solve this problem, various control actions are specified, by means of which the user creates the most efficient variant, from his standpoint, of the correction. These actions make it possible for him to correct both the target function and the limitations of the task. We note that each correction variant obtained is optimum, given the control actions selected. To evaluate its acceptability, however, the user can follow a number of other (often contradictory) criteria.

One of the methods of control is designating the value of the rate for deviation from the existing plan for train formation. By changing it, it is possible to regulate the volume of corrections which ensure satisfaction of the given limitations.

Another method of control is designating the minimum permissible value of the diverted strings of car flows. As an analysis of the interstation checkerboard of transport shows, the capacity of most strings of car flows does not exceed several cars. Naturally, if, to solve a problem, it is permissible to divert all the strings corresponding to this matrix, then a change in the formation plan will be too great. However, considering the fact that the car flows are consolidated as the distance from the stations of origin and proximity to the limiting elements of the network increases, it is possible, by limiting the minimally permissible capacity of the diverted flow, to reduce the number of corrections in the existing plan.

The number of diverted destinations of the car flows may also be limited by indicating the list of strings which are permitted for use in solving the problem. As a rule, in the solution, only the strings passing through limiting elements of the transport network are diverted.

The user has the possibility of prohibiting the correction of the formation plan for certain stations. It is expedient to use this method of control if in the solution obtained at certain stations the main part of the car flow required by the condition is diverted, and only a negligible part of it is diverted to a few other stations. In this case, the calculation can be made anew, after prohibiting any changes in the formation plan at the stations where, in the preceding calculation, a negligible part of the flow is diverted.

The user can affect the adoption of the decision only by correcting the network of diversions itself (entering or excluding a number of destinations of the formation plan) with subsequent use of the algorithm to redistribute the flows. By changing the value of the throughput capacities of the destinations, one can also limit the use of a number of destinations when correcting the plan (for this, the throughput capacity for these destinations should be established as equal to the actual one) or can eliminate a number of destinations in general (establish their throughput capacity as equal to zero).

An important means of controlling the solution is to declare a number of elements of the transport network as "limiting," that is, elements, the throughput or processing capacity of which cannot be exceeded under any conditions. This is because the algorithm for redistribution of the flows permits a negligible violation in the assigned limitations for throughput and processing capacity. That is why issuing communications on the transshipped elements of the network is specified. At the same time, prohibiting these violations can be (even for a number of elements of the network) a necessary condition of the solution.

After examining the various methods to control the process of decision-making, let us turn again to the problem of designating the value of the flow which must be diverted, and for which possible difficulties in the operational work must be prevented. Naturally, to



ensure the stability of the solution, the value of the diverted flow should be designated with a certain reserve. Evaluating the shortage of throughput or processing capacity of the limited elements of the network helps to determine this value. This evaluation shows the amount of change in the total operating expenditures, if the throughput or processing capacities of the limiting element are increased per unit of flow. The higher the evaluation of the shortage in the resource of the given element of the transport network, the more expensive will be the diversion from it of a unit of flow.

Let us assume that the value of the diverted flow is preliminarily determined. For example, in the opinion of the user, reducing the processing volume of a certain classification station by 500 cars a day ensures, with a certain reserve, the unimpeded throughput of a car flow in the forthcoming period of renovation at this station. Then, in consideration of the approximated nature of the assigned limitations on the maximally permissible value of the processing, it is expedient to compare the two variants of the solution: with a reduction in the volume of processing of 500 cars and, let us say, of 550 cars. It is possible that the second variant, as compared with the first, will not require significant changes in the formation plan and a substantial increase in the operating expenditures. Then it will be preferable, since it ensures an additional reserve for stability.

Therefore, the user, by changing the initial conditions, evaluates the computer results issued, by choosing from many solutions, often differing little in cost, but being the most acceptable. The possibility of such active participation by the user in the decision-making process is made available by special programming devices used in ASONV.

The rapid action of the algorithms used to solve the basic problems ensured the creation of a conversational mode of work for the system, the special feature of which is orientating the operator of the equipment to control the transport. Participation in the conversation does not require special knowledge of computer equipment. The "friendly" software presupposes work with a computer without any program-oriented syntax.

The conversational mode of work offers the possibility of using a powerful information base, necessary to correct the organization of the car flows, as an information system. For example, at the user's wish, information can be called up on the display screen for each train-section of the transport network, concerning the "graphic" amounts of movement required by the transport plan, a list of destinations of the trains passing along this section, and also the strings of railcar flows included in them. In addition, the routes of the runs and sequence of processing stations for each car flow are given. At the same time, all the basic characteristics of the "called-up route" are calculated. The possibility is specified of putting on the screen the changes in the information base. Therefore, on the whole one can already speak of

the creation of the first variant of the man-machine complex, providing an analysis and correction of the existing system of organizing the car flows.

As experience has shown, using this system in correcting the formation plan for the trains ensures, through the optimality of the variant selected, a 10 percent reduction in the "overrun" of the cars, which was called for by the direction of the roundabout flow. This leads to a reduction of 220 million car-kilometers in the daily volume of transport operations fulfilled. In monetary terms, this daily saving of operating expenditures constitutes 800,000 rubles.

The goal of the work presently being carried out in conjunction with specialists of the Main Administration of Transport of the Ministry of Railways is to define more precisely and expand the problems solved on the ASONV, in order to turn this system into an efficient instrument for organization of railway transport.

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#### **Penza Hazardous Materials Incident Recounted** *18290059a Moscow GUDOK in Russian 7 Jan 89 p 3*

[Article by B. Musalitin, GUDOK correspondent, and G. Kryzhanovskiy, deputy chief of the Main Administration for Traffic Safety: "Volatile and Very Dangerous"]

[Text] An emergency situation developed on New Year's eve at the large Penza-3 Marshalling Station. A train which included seven tank cars filled with ethylene arrived here on the morning of 29 December. The cars came from Igumnoviy Station in Gorkiy Oblast and were accompanied by escorts V. Dyukov and A. Savinov.

It is difficult to say just what instructions were given to these escorts upon departing the gates of the Kaprolaktam Plant. In any case, when the railroad workers detected a gas leak in one of the tank cars and made a report to the station's management, the two escorts did not move a finger by way of taking appropriate action. They merely made recommendations to the station's deputy chief for commercial operations, A. Makarov, upon his arrival at the scene of the accident:

"Do not get too close to the tank car."

"Well, what are we to do?" asked Makarov."

"We will do nothing" replied the escorts.

Maneuvering operations at the station were held up for several hours. Information concerning this ChP [extraordinary event] reached the civil defense staff of the Penza Oblast Executive Committee. Obviously, the railroad workers immediately glanced at the special emergency cards on various types of chemical freight. There, they

found a statement regarding ethylene: a colorless gas, readily inflammable, dangerously explosive and volatile. In short, special precautionary measures were required.

The tank car had to be removed from the terminal. A fire-fighting train was sent with it to take care of any eventuality. At the same time, representatives of the Kaprolaktam Plant were summoned on an urgent basis. They found the cause of the gas leak and thus during the night of December 31st the tank car was sent on to its destination.

All's well that ends well. But questions arise. And first of all—what was the purpose behind sending escorts with such dangerous freight if they had no knowledge of what was expected of them during an emergency situation?

Escorts were in fact present. Yet it also happens that many tank cars filled with chemical products are sent over the rails without escorts. And when unfavorable situations develop, long hours and even days pass before the arrival of specialists from the consignor-enterprises. Are we not at great risk in such instances?

Serious difficulties associated with the leakage of chemical substances have occurred on more than one occasion in the recent past, particularly at the Ulyanovsk, Tsentralnyy and Kuybyshev stations. Now we have Penza. How can we make it safe for people and for railroad installations?

Nothing new has appeared recently in this regard. A ban was even established against allowing such tank cars to enter marshalling yards. On one occasion, a recommendation was made to create small mobile groups attached to fire-fighting trains at large terminals. These groups would be trained in the handling of chemical products and have the necessary protective equipment at their disposal. They would thus be able to undertake certain safety measures even before the arrival of specialists. But judging from all appearances, nobody paid any attention to this recommendation. Can it be that we are again waiting for the bomb to go off? (B. Musalitin, GUDOK correspondent, Penza)

#### **Comments by the Deputy Chief of the Main Administration for Traffic Safety G. Kryzhanovskiy**

Recently the railroad workers have frequently been reproached (and generally speaking not without some reason) for a lack of discipline and executive ability. These factors have often been the cause of grave consequences and transport accidents. Against this background, the faults of our clients have been pushed into the background. Although it must be admitted that they cause many dangerous situations and even emergencies (we recall Arzamas, an accident on the Northern Railroad in which an aggressive chemical product escaped from a tank car and almost caused a great ecological misfortune).

The incident at the Penza-3 Station provides still more evidence of the irresponsibility of customers. Although complaints could not be registered against the railroad workers, since they performed efficiently, skilfully and in complete conformity with the accepted system for handling emergency situations, the same could not be said concerning those who accompanied the dangerous freight.

The escorts displayed complete incompetence and negligence. In accordance with their instructions, they were obligated to correct the problem themselves, but they made no attempt whatsoever at doing so. An inquiry revealed that the escorts assigned to this trip lacked experience.

Once again, we became convinced: the branches which ship freight are not devoting proper attention to training their escorts. Under complicated conditions, the personnel become confused and do not know who they can turn to or what actions they must take at a station in carrying out their instructions. For example, within Minkhimprom [Ministry of the Chemical Industry] (in its subordinate Kaprolaktam Association), the proper conclusions were not drawn following the regrettable and well known accident at Annau Station in Central Asia in 1987, involving the escape of chlorine from a freight train and the poisoning of people. It was our opinion that this was a manifestation of scandalous irresponsibility and failure to evaluate properly a serious problem.

We cannot agree with the statement that there is nothing new that has been done recently in connection with improving the safety of such shipments. The question which we raised with regard to having the consignors assign escorts for the more dangerous freights has been partially resolved. With regard to shipments of other products which are also included in the category of dangerous substances, there should be no need for escorts if the consignors have special freight cars which offer a raised degree of protection. This problem is being worked out at the present time.

Today a customer is categorically forbidden to use tank cars, the service life of which has expired or from which the shock absorbing units have been removed, for transporting such freight. Moreover, such freight must not be shipped without emergency cards containing complete information on them. In addition, a decision has been handed down calling for the numbers of these cards and the danger signs to be printed on all of the tank cars in which they are being transported. This will make it possible, during unfavorable situations, to orient oneself more rapidly to the situation and to make the necessary decisions in a more efficient manner.

We believe that we have also accomplished a great amount of work (despite the fact that we have complicated our own operations as railroad workers) by prohibiting, commencing November of last year, the hump marshaling of empty tank cars, after they have been used for compressed gas, which also present a danger.

I do not believe it is necessary to mention all that has been done to prevent unfavorable situations from developing in connection with the transporting of substances which require special precautions. Many efficient and long-term measures, including joint measures with allied workers, have been planned and importance is attached to carrying them out based upon joint efforts.

A chief concern is the need for strictly observing the system that has already been established. If not by 100 percent, the carrying out of this system will guarantee safety by 99 percent. Unfortunately, as borne out by this latest incident, we are still encountering much disorder in this area.

And in conclusion—permit me to say a few words regarding the mobile units which, according to a correspondent, were recommended for creation attached to large terminals. This question was discussed in the MPS [Ministry of Railroads] and the creation of such formations attached to restoration trains was considered to be inadvisable.

More than 3,000 types of dangerous chemical substances are transported by rail. And where is it possible to obtain the specialists who must not only know their properties but possess experience in working with them and also the needed equipment and rigging? It is our belief that gas emergency services must be developed in the freight consignor branches (which are the owners of rolling stock, required for transporting their products) and allow me to mention once again that more attention must be given to the training of escorts.

#### **Rail Support to Yerevan Continues**

18290066a Moscow GUDOK in Russian 12 Jan 89 p 1

[Article by unattributed GUDOK correspondent, "Ministry of Railways Headquarters in Action"]

[Text] Yerevan—The Ministry of Railways headquarters has reported that in the last few days over 20 consists have been sent out through the Norashen Junction. These are satisfactory results. A great deal of emphasis is being given to forwarding the trains. Every day, hundreds of railroad cars filled with necessities come into the Yerevan Division. Thus, on 9 January the division received railcars with 50 powerful automatic loaders, 25 railcars of coal, 21 cranes, 69 boxcars of food and 62 tanks of diesel fuel. And all of them were promptly unloaded.

In the headquarters, I met with S. Chirkinyan, deputy director of an aluminum plant. He asked me to express his deep gratitude to the railroad employees for their help in forwarding these high-priority cargoes.

"Our plant manufactures aluminum roofing shingles, aluminum sections and other products now needed to restore the republic's cities and villages. For us, having no

raw materials is like having no hands. And the headquarters personnel have been very helpful to us. We are now awaiting the arrival of 55 railroad cars from the Kuybyshev Railroad. We asked for help in getting them here faster. And so four of them have already arrived. I was just told that there are seven more on the approaches. We are unloading these cars in record time.

Headquarters Duty Officer A. Shchevchenko, who came up from the Southern Railroad, mentions, "On 9 January, 1,552 railroad cars were unloaded. There are 1,134 ready to be unloaded. We have not managed to unload 59 cars belonging to a subdivision of the republic's Gosagroprom, and on the whole have not managed to take care of 26 cars belonging to a construction enterprise and the construction materials industry. There are still 111 railcars in Leninakan. And the petroleum tank farm has not unloaded 21 cars. The foodstuffs depot has 7 cars left to unload. The tank farm and Oktember Station have kept 21 cars beyond the deadline.

A great deal of emphasis has been put on forwarding and unloading railroad cars hauling small houses. In one day, 22 little houses arrived at the division. All of them were unloaded.

The Azerbaijan Main Line Railroad is doing well-coordinated work.

An additional four marshalling yards have been opened here to accelerate freight-handling traffic on its way to Yerevan, Masis, Leninakan and Razdan.

#### **Rail Conference Examines Line Work, Safety**

18290066c Moscow GUDOK in Russian 12 Jan 89 p3

[Report on conference by T. Smolyakova, special GUDOK correspondent, under the "Reporting Under Torture" rubric: "A Dismal Long-Term Outlook"]

[Text] Voronezh—When the topics of traffic safety and reliable transport operation come up, the miserly language of statistics provides the most persuasive of the impressive words.

In 1987, the Ministry of Railways Tracks Economy alone was at fault for 75,300 passenger train delays, with a total of 75,000 hours (over one-third of all delays). In mid-December of 1988 these delays already amounted to 91,000 hours.

Last year, line workers alone caused 22 derailments, including three passenger train derailments, and almost half of all accidents. The trend of recent years toward more defective workmanship, accidents and derailments is already obvious to the naked eye. So where are we headed? Are there real forces which can stop the advance of misfortune?



Trade union committee chairmen of subdivisions of the six central railroads—the Moscow, October, Northern, North Caucasian, Volga and Southeastern—held a conference in Voronezh to deal with this question. The primary task these days is to ensure safe, accident-free running. We need not mention its importance to the state—this is obvious to each of us. It is also obvious that safe running is not an isolated problem, unrelated to a multitude of other provocative and aggravating problems. And the conferees agree unanimously that all these problems need to be solved together. This, however, is the only area in which there was total unanimity. But the most important thing is that their opinions diverge as to what is the cause and what is the effect.

A. Kondratenko, first deputy chief of the Main Lines Administration, is convinced that the entire matter stems from negligence, lack of discipline and carelessness on the part of individual and specific employees. Look, they say, what awful people we have, we train them poorly, but if we trained them as we should, they wouldn't do slipshod work and we wouldn't have accidents!

(I once had occasion to write about a track fitter from the Kemerovo Railroad. He had skillful hands and an expansive soul and was a high-class specialist...as well as a high-grade speculator. And he speculated on the fact that you couldn't get a young man to work in a permanent way district for love nor money, neither of which was being offered anyway. He was sure he wouldn't be fired and that his drinking bouts and absenteeism would be excused. He had two trainwrecks on his conscience, and the most rigorous "training" he received was his exclusion from the trade union).

Judging by the reactions in the conference hall, the representatives' speeches and the lobby interviews it was clearly felt that A. Kondratenko still represented the minority view. To seek the root of all evil in the negligence of a "switchman" was to simplify the problem to the extreme. By no means objecting to the fact that there is a huge minus sign appended to a great many railroad collectives' discipline, the subdivision representatives hastened to state their views, to gush out the same old excuses—there had been illness, things were difficult, and they did not have the manpower to overcome these problems. Almost all of them said the same thing, only overlapping each other in the details and particulars. So a picture of the everyday life and work, the everyday concerns of the railroad workers began to come into focus, and it was a dismal, if not a squalid, picture. But somewhere, over there on a distant plane, a hint and hope for a bright future are in sight.

[From the report of Trade Union Central Committee Chairman I. Shinkevich]: An extremely bad situation has developed in the railroad economy with regard to manning it with employees and keeping them on the job. We presently lack 7,500 line workers and 437 track-laying machine operators.

[P. Volosyan, senior permanent way inspector, chairman of the Technical Supervisory Service, deputy chairman of the Northern Railway's Sivomaskinskaya Subdivision Trade Union Committee]: "Where are they going to get these employees? No one in the transport sector even notices track-workers. In fact, in the entire Vorkuta Division we don't have a single VPR machine [not further expanded]. Most of our "mechanization" consists of crowbar hammers and spike pullers. Somehow, young people are not much attracted to these 'mechanisms.'"

"But I beg your pardon, it once came to our attention when the Belorussian method was introduced. One permanent way district and four track-laying brigades were reduced. And no one cared about the fact that we had already been working with a reduced staff for 12 years.

"The main thing is that there is nothing with which to pay those people who work on depreciation [na iznos]: cutting back the number of employees reduced the wage fund as well. We also appealed to the division and the ministry and received formal written responses. The ministry needs to deal with the line and the line workers in person."

[N. Tolstoy]. (Derbent, North Caucasus Railroad): "Our employees are reliable people. They go out and take care of breakdowns in the middle of the night, in cloudbursts and frosts. On the other hand, the trackworkers are paid back for their favors. Plenty of them eat in the locomotive repair shop canteen. Purchase a motor vehicle to drive to the city after products? There are a lot of people beside you making the same request. Calling for 'first aid' is a problem. And so is hauling water in to the track-workers' huts. There have even been disruptions in the bread deliveries. I have already written to the Rayon committee of the Railroad Transportation Workers' Trade Union about all this and to the appointed doctor. I have been awaiting an answer for two years.

"We are quietly building housing using our own resources, of which we certainly have few. We are holding our own so far thanks to our older employees. I don't know what will happen further down the road."

[V. Gerasimov] (Atkarsk, Volga Railroad): "We are also building housing, and it's pretty good. Four-apartment houses, mostly. But life for our track-workers is no better than on the other subdivisions. In fact, in bad weather we put them out along every km of track, and sometimes we don't even know when we will be able to pick them up. On long-distance lines, we are in no condition to provide them with either a hot dinner or even dry rations. They take things from home with them: bread, lard, eggs and so forth, and everything freezes. That's all right if there happen to be old ties lying around nearby which can be used to kindle a campfire to warm the food and the men themselves. All this, of course, is not the point. What we very much need are warm and comfortable emergency repairs teams."

[Voices from the meeting hall]: "Right! That's what we need!"

[A. Kondratenko]: "We will have them, comrades; we will have them. Right now a track-repair vehicle mounted on a GAZ-66 chassis is being designed."

[Question from hall, (not answered)]: "When will we get it, in the 21st century?"

[A. Kotsurba] (Krasnodar, North Caucasus): "The track-repair workers are in last place in everything from being provided with repair materials and equipment to being supplied with food products."

"We have already become weary of fighting with the departments of workers' supply to no avail. Here is a recent glaring example for you: when the disaster occurred in Armenia, we decided to send two track-repair brigades there along with a road grader. It was understood that these people would have to be provided with food for a certain time. So what do you think? We had to 'break open' the Department of Workers' Supply just to get sugar and pearl-barley! But canned goods, milk, sausage? No; they told us those things were only for train engineers, and that we were not allowed to have them."

L. Podporinova, lead engineer of the Public Catering Department of the Ministry of Railways Main Administration of workers' supply: "This cannot be. I'm going to look into this."

"Comrades, we never forget about the track workers; we mention you in all our reports... (Laughter in meeting hall)... Our departments of workers' supply don't yet have the capabilities for providing everyone with these dried sausages because the locomotive brigades are provided for first and whatever is left over is given to the line workers.... (Rumble in meeting hall)"

"When your brigades travel out to perform repair work, you must submit your applications for being provided with hot food, and when you take special trips, the brigades are allowed dry rations. A special order dealing with this was issued in September. Are you familiar with it?"

Voices in the meeting hall: "No."

From the report: "The extremely low level of mechanization of work, particularly in ongoing track maintenance (41 percent), remains the most acute problem in railroad transport."

M. Yegorov (Leningrad-Moscow Permanent Way District, October Railroad): "General overhauls have now become track smoothing work. Where a line used to last 15 years after a general overhaul, it now lasts a year. And this is not because of our negligence, but because of a lack of equipment. After the tragedy with the Aurora

they finally provided us with a regular machine, and we advanced 8 km and did it reliably. But we still absolutely must have a ballast cleaner and a VPO [not further expanded]. When will this happen? When will the thunder clap again?"

N. Tolstoy: "How can we talk about running safety or dream of mechanization if sometimes you can't even find a spike or a nut or bolt on the subdivision? Right now, one of every four of our switches is defective."

V. Gerasimov: "In 1986-1987 our materials supplies began improving and, correspondingly, our work indicators improved rapidly. But our equipment situation continues to be bad. We have one track-laying machine for the entire division. These 'windows' are causing constant conflicts with the running personnel."

V. Nekrasov (Edva, Northern Railroad): "Most of all we grieve for the women. For the country overall, 40 percent of the track workers are women. And many work for us. My heart bleeds when I see young 20-year old women hefting 100-kg crossties without benefit of cranes. Nor can the portable power plants perform hoisting work. And in fact these young women have yet to bear children. For years I have heard the words—and they are true—that freeing women from heavy labor is our paramount social task, but where has this matter been corrected?"

A. Kondratenko: "The ministry has published an order for machines to be introduced into routine track maintenance. Yes, we are short of machines. But excellent experience has been gained in using them on the Moscow Railroad and on the South Urals Railroad: there, all the machines operate together and not 30 minutes each per day, like you have been talking about here, but 4-5 hours each.... You give the transport workers three-hour 'free periods' which they can give back to you, and the ministry will back this up."

"There are tools now being developed and improved, but they are not yet available. With regard to spikes, there should be some hope by the year 1990, so we need not make scrap metal of our old bolts and spike pullers or to throw our crossties away...."

Retort from audience: "Yeah! Pull your belt in a little tighter and hope...."

A. Kondratenko: "The only way to improve track conditions and running safety is by the collective contract...."

A. Rezanova (October Railroad Experimental Moscow Permanent Way District): "We are equipped with a full complement of machines and mechanisms, and have no problems. Our fitters are at 40 percent of strength, but since we changed over to working by collective contract on 1 August, we no longer feel any acute shortage of

hands. There has been a marked improvement in our discipline and the quality of our work. The average wage for fitters and brigades is more than R300."

**A. Bykovskiy** (Likhobory, Moscow Railroad): "As of 1 November, we also changed over to contract operation and put a lot of hope in it. The line's intensity and labor discipline have sharply increased. The fitters earned R465 in November!"

**Question from hall:** "Where did you get this money?"

**A. Bykovskiy:** "The railroad helped out by allocating R160,000 into the wage fund."

**Reply from hall:** "That means you took it away from someone else...."

**A. Kondratenko** "It is impossible to start contract operation everywhere at once. To do so, we would have to increase the wage fund by R250 million. No one is going to give us that kind of money. That's why we will be introducing contract operation gradually."

**From the report:** "In August 1988, the Ministry of Railways and the Presidium of the Trade Union adopted the new decree 'Public Control Over Ensuring Safety in Railroad Transport.' But now, when the public work system has had to be restructured, there has been a noticeable decline of activity in the enterprises and in trade union organizations...."

**Yu. Bykov**, secretary of the Northern Railroad Trade Union: "The inspectorate staff is not training inspectors to detect and prevent violations or defective workmanship."

**V. Kravchenko** (Arnavir, North Caucasus Railroad): "Just 2-3 years ago our public inspectors were doing satisfactory work, but recently it has declined. The reason is that the shortcomings they discover are not being eliminated: there are no cross-ties, no rails and not much else. This is killing all our initiative."

"Until recently we got along without any collisions, but in 1988 all of a sudden we had four train derailments. Right now we have 109 km of track overdue for major overhaul, and our sleepers are all but rotted out. What can public control do here? It can do nothing more than record what goes on."

**V. Demyankov**, deputy chief of the Main Traffic Safety Administration: "All your ailing problems are common knowledge, but no immediate solutions are being found for them, not even on the highest level...."

**Retort from hall:** "Why 'immediate'?"

...And that is really the question: why "immediate"? No one can seriously suggest that the ministry only found out yesterday that the rail economy is slowly but surely

headed for a decline. Or that it has been a long time since line workers have asked for anything extra, other than just to find something with which to patch up the biggest holes. But even small holes are enough to cause trouble.

### Moscow Metro Expansion Noted

18290059b Moscow GUDOK in Russian 7 Jan 89 p 1

[Article by B. Bukharina: "From Chekhovskaya and Farther"]

[Text] It has been only a year that we have had the final stop of the blue expresses at the Chekhovskaya Metro Station of the Serpukhovsko-Timiryazevskaya Line. And already the trains are proceeding farther—Samotechnaya Square, Novoslobodskaya Street and to the Savelovskiy Terminal.

The first new stop—Tsvetnoy Bulvar Station. Its entrance hall is located alongside a newly erected building of the old circus and the Central Market. This is a section of old Moscow containing such sights as the Mir and Forum movie theatres, the Central Academic Puppet Theatre and the circus beloved by all Muscovites.

In terms of its design, the metro terminal is of the pylon type. In order to reduce visibly the 7-meter width of the pylons, their edges were formed using vertical plastic elements. They make them appear more elegant and smart by creating an impression of portals. Natural stone was used in finishing off the metro terminal. The walls are lined with Gazgan marble of various shades, the pylons—with white Koyelga marble and on the floor, consisting of a combination of two types of granite, a red carpet has been installed against a light-grey background. An illuminated cornice made of white glass runs along the axis of the snow-white pylons. It is interrupted by stained glass panels completed in a bright vegetation theme. And we somehow sense a link with the boulevard located above.

The station's entrance hall was planned so as to be part of a multiple-story building, the construction of which is still continuing today. Its authors are architects of Mosproyekt-2. The administration of Mosmetrostroy will be located in a new building on Tsvetnoy Boulevard.

There will be only a short run—and again a stop at the platform of the next station—Mendeleyevskaya. It is located alongside the Novoslobodskaya Circumferential Line and is connected to it in the center of the hall by a convenient transfer system.

Initially it was assumed that the new metro station would also be named Novoslobodskaya. And the name itself, plus the co-location with the wonderful metro terminal of the 1950's, the creation of the eminent masters, architect A. Dushkin and artist P. Korin, demanded a great amount of responsibility on the part of the group of authors. But it turned out that the construction period coincided with our country's celebration of the 150th



birthday of the great Russian scientist D. Mendeleyev. Thus the idea was born to name the new station after him. The theme of the architectural-artistic design—"The Development and Achievements of Our Domestic Science"—conforms to the name given to the station.

The Mendeleyevskaya—a column station—is located far underground, but the hall is open to the maximum possible degree and hence there is a sensation of space and light.

"From the very beginning, we wished to make it modern and at the same time have it conform to our Russian architectural traditions," stated the chief architect of the Metrogiprotrans Institute, N. Aleshina. "Hence the plastic arched portals."

Instead of the initial idea—to decorate Mendeleyevskaya with portraits of Russian scientists—the decision was made to use abstract drawings on a scientific theme. On the white wall—circles representing the diagrams for elements were carved in the rock. For example, a cut-away view of the atoms for a diamond and silicon is shown. At the ends of the station, there are compositions made out of concrete. The passengers see a sculptured portrait of Dmitriy Ivanovich Mendeleyev against a background containing his celebrated table.

The residents of Moscow awaited with special impatience the Savelovskaya Station. The metro's entrance hall is located alongside a newly modernized building of the terminal and it leads the passengers directly to a pre-terminal area. Future plans call for the construction of one more exit—to Novoslobodskaya Street.

Savelovskaya Station is pylon in structure. The pylon is handsome and shaped. It is lined with white marble with aluminum recesses. Moreover, the lining clearly emphasizes the design. For the very first time in metro construction, involving underground construction, all of the pylons were lined in a "dry" manner with no solution being employed.

In finishing off the station, use was made of three types of natural stone: two types of marble—white Koyelga and brown Gerasimovskoy—and also brown Vozrozhdeniye granite. Using the same tones and materials, handsome theme inserts were completed on the walls using Roman mosaics. The theme "Development of Railroad Transport" was used here as it was also in the design for the ends of the station.

"The inserts turned out to be strict and graphic. I worked for the very first time with artist N. Andronov and was satisfied with this collaboration. His inserts did not merely portray the history of transport development, but rather they turned out to be genre pictures of people, equipment and architecture," stated one of the station's authors, architect N. Shumakov.

With the opening of three new metro terminals in the capital, their number has increased to 138. But Savelovskaya is the final one, just as Chekhovskoy will be in only a year's time. And thereafter the trains will proceed farther—to Otradnoye and Bibirevo.

#### **New Electronic Aids on Moscow Metro Cars** *18290066b Moscow GUDOK in Russian 12 Jan 89 p 1*

[Article by unattributed GUDOK correspondent, "Automatic Remote Controls in the Metro"]

[Text] Moscow—On the outside, this eight-car, light-blue express subway train which has shown up on the Moscow Metro's Zhdanovskaya-Planernaya Line, is in no way different from its peers. But inside....

The driver's cab is equipped with an electronic system for remote control of the cars and the control board shows each car's accident protection status. The electronic helper provides prompt information concerning the condition of each car's brakes, doors and auxiliary machinery, and allows the driver to react promptly to irregular situations on the train.

Things were not always this way. When something went wrong, all the passengers had to be put off at the nearest station and the entire train taken off the line in order to find out which car was malfunctioning and why. Nowadays the driver himself can disconnect the malfunctioning element and if there are no serious causes for alarm, he can operate the train with a peaceful mind.

As it turned out during the trial operation, the new remote control system improves the viability and fire safety of these pale blue express trains.

Right now, a similar control system for the new subway cars is being developed in the VNIIZhT [All-Union Scientific Research Institute of Railroad Transport] Temporary Scientific Production Complex laboratories. This system is equipped with an induction-type, no-commutator traction motor.

Prototypes of equipment to be used on a three-car section are to be turned over to the Dinamo Production Association during the first quarter of this year.

### **MARITIME AND RIVER FLEETS**

#### **Nuclear Lighter 'Sevmorput' Highlighted** *18290118a Moscow VODNYI TRANSPORT in Russian 19 Jan 89 p 3*

[Article by V. Mikhaylov: "The First Few Miles of 'Sevmorput'"]

[Text] Here it is, entrancing in its harmony, beauty, gigantic size and grandeur, the nuclear-powered ice-breaker transport lighter-container carrier. The unusual

bright red color of the hull, the huge snow-white superstructure—this is the way I saw Sevmorput, which had just returned from its sea trials. The shipyard building standing alongside the berth seemed like a toy in comparison with it. Incidentally, the Kerchenskiy Zaliv Shipyards imeni B.Ye. Butoma has created even larger ships.

All the same, the Sevmorput is a special page, not only in the story of the yard, but also in domestic nuclear shipbuilding, especially since it has no analogs in the entire world.

There is a great deal to amaze and impress one here. For example, radiation safety is ensured in any emergency for the power unit and the ship, even in serious navigation accidents and ship fires. The Sevmorput, in contrast to ordinary ships, has no restrictions on its navigation parameters. I learned from a conversation with V. Aldanov and M. Shumilov—second and third mates—that, for example, to determine the location of the nuclear-powered vessel, its navigation staff uses data from the most varied systems, beginning with the deductive method—by the stars—and ending with space satellite signals. All the information is automatically summarized and analyzed, and as a result the point is obtained. Let us say that the Biryuz computer calculates the optimum path of the nuclear-powered vessel from the starting to the end point and plots the great circle course—the arc of a large circle, taking into account the incorrect form of the earth (its oblateness from the poles). With long ocean runs this reduces the route by hundreds of miles. Moreover, the command is automatically given to the helm. The dead reckoning is also done automatically by using information from various systems, which increases its reliability.

One can talk long, and say much about the unique nature of the vessel. Some 74 lighters weighing up to 370 tons, or 1324 containers can be stowed in its six cargo holds. The cruising capacity of the Sevmorput is practically unlimited. A single fueling is enough for four years. The ship, equipped with a four-bladed adjustable-pitch propeller, generates a speed of 20.5 knots. Since it has a 40,000 h.p. nuclear power unit and pressure-strong hull and bottom, it can break through ice up to one meter thick independently. The high degree of automation and wide use of computers provides the necessary service for the nuclear power unit.

The sea testing is a critical period in the life of any ship. How did this first examination go for the seamen and ship builders?

**A. Ivlev, chief technologist of the design:**

"To put it briefly—successfully. The ship had a ballast variant. There were lighters and containers on it, however, to test the systems to secure the loading and unloading. It was gratifying that during the trials, the Sevmorput not only sustained, but also exceeded the

planned speed by one quarter of a knot. The turning path measurements were maintained. In a word, the maneuverability and performance were within the assigned parameters or even somewhat better than estimated. The ship's equipment operated reliably and stably: the nuclear steam-generating unit (APPU), the main geared turbine, the electric power plant. We received no complaints about their functioning. Trivial defects have been eliminated.

"In the sea trial period, measurements were made of the radiation level, noise and lighting of the facilities. There are no changes in the radiation situation around the ship and the radiation level outside the limits of the reactor was no higher than the ordinary background.

"Considering the requirements of the code of the International Maritime Organization on Ensuring the Safety of Nuclear-Powered Ships, as well as the lessons of the Chernobyl accident, additional safety measures have been taken. Let us say, the reliability of the hull and all the systems is such that even in grounding, throwout or collision with other vessels, the APPU will be safe.

"If one speaks of the vessel's liveability and passenger capacity, they fully meet today's requirements. In the course of the five-year construction of the LASH ship, about 90 inventions were submitted, many of which were put into practice. This had a noticeable effect on the quality and reliability of the vessel and increased its technical potentials.

**V. Smirnov, Captain of the Sevmorput:**

"I must confess, the results of the tests somewhat surpassed my expectations. Despite its tremendous size, the ship proved to be quite maneuverable and, which is surprising, with its great length—had good turning ability. True, its maneuverability is reduced at slow speeds and in reverse. Therefore, I feel that it is expedient to install a lateral thrust unit. Incidentally, I was not the first one to suggest this. The sea trials reconfirmed the need to have it.

"During the period of the sea trials, we ran into stormy weather. It was very important for us to know what the controllability and maneuverability of the ship with its great wind resistance were like in a strong wind. For example, the path of the turning circle when turning in ordinary weather and in storms proved to be practically identical. Sevmorput is a biologically clean ship. In a word, it has many merits...."

**A. Sevastyanov, First Mate:**

"The ship's performance was good, and the systems and mechanisms are operating stably. It is absolutely safe for the environment. A valuable quality is that there can be different variants of loading the vessel with lighters, containers and even other cargoes. The Sevmorput has everything necessary for the normal work and life of the

crew. All the same, we have given several suggestions to improve the ship's liveability, various mechanisms and convenience in their operation. The shipbuilders are considering our comments. All of the command personnel live in single cabins. The ordinary seamen have cabins and double berths. I consider this inadequate."

**V. Khanlarov, Chief Engineer:**

"The APPU on the Sevmorput resembles those that were installed on nuclear-powered icebreakers, but is a class higher than them, with many innovations. It is controlled from the central control station and ensures a 16-hour cycle of watch-free service. The nuclear "heart" has been tried out under all conditions, and there are no criticisms of it.

"I will note that because of the high level of automation, only a small number of people are engaged in radiation safety and measuring and test equipment service, and in mechanical maintenance."

It remains only to be added that Valeriy Genrikhovich has adequate experience in servicing APPU. He was chief engineer on the icebreaker Lenin.

Right now is a critical period for the ship. It means getting to know its "nature" and at the same time, getting accustomed to and putting together the crew.

The production of the first nuclear-powered transport giant was a serious test for all of domestic shipbuilding, not to mention the Kerchenskiy Shipyards imeni B.Ye. Butoma.

"In creating the Sevmorput," N. Volkov, the director of the plant, told me, "we used the products of 250 enterprises in the country. Moreover, some of them are unique, were made to special order and consist of experimental pilot models. These are the turbines, the main geared turbines, the overall line, the navigation equipment.... In a word, Sevmorput became a cluster of thoughts with technical novelties and innovative ideas. It is another example of good, mutually advantageous international collaboration. Firms from the FRG, Sweden and Finland took part in the construction of the ship. The Finns, for example, installed a crane with a load-lifting capacity of 500 tons. The "director" of this giant, which rolls along the rails of the main deck, is a computer, in the memory of which is stored data on the space-location of the lighters, containers, the order of priority of their unloading....

I have already mentioned the unusual color of the nuclear-powered vessel. It is Finnish "Inerta-160" paint, applied on the lower part of the ship's hull, which does not become coated with algae or mussels and is not stripped off by ice. It is symbolic that completion of the creation of the Sevmorput coincides with the yard's fiftieth anniversary. Special landmarks in the history of

the yard were the creation of supertankers of the Krym series, with a 30,000 h.p. steam turbine unit, and ecologically pure tankers of the Pobeda type.

The shipbuilders turned the Sevmorput over to the Murmansk Shipping on New Year's Eve. Problems were discussed relating to preparing the ports of Vladivostok, Nakhodka, Vostochnyy, Magadan, Petropavlovsk-Kamchatskiy and Pevek to receive the nuclear-powered LASH ship. Now the Sevmorput is running from Odessa to the Port of Haiphong. After unloading in Vietnam, the ship will take lighters for delivery in Vladivostok. Further work in the winter period is planned in the container variant on the line from Vostochnyy Port to Magadan.

Have a good trip, Sevmorput!

**Automated Ship Guidance System Sought for Neva Area**

*18290118b Moscow VODNIY TRANSPORT in Russian 21 Feb 89 p 1*

[Article by Ye. Viktorov: "A Competition of Young Designs"]

tion season on the Neva that goes by without motorships colliding with the Leningrad bridges. There are various reasons for this: both the lack of signal lights and errors made by the ship navigators. There are ten large drawbridges spanning the river, and the motorships are forced to clear all ten, wherever they are—upstream, on Lake Ladoga and the Volgo-Balt, or downstream, at the Leningrad or Vyborg maritime ports and in the sea at European ports.

The navigation inspectorate was forced to resort to extreme measures—for independent passage of the Neva bridges, without a river pilot on board, the captain had to take a special examination.

The Northwestern River Shipping Company is seeking a solution to the problem. Specialists have come to the conclusion that to make it easier for the navigators to pass the bridges and essentially increase the safety of the river traffic, one need only automate the piloting by means of modern light-optical, radar, television and other devices.

It would appear that it would take scientific men from the Leningrad Institute of Water Transport to solve this problem. But those people, and others, responded with a graceful rejection—it is, they said, not our specialty.

Then the idea arose of holding a design competition at scientific-technical centers of the young generation. Three Leningrad collectives and one each from Baku and Kuybyshev took part in it. The technical assignment for the project was worked out by specialists of the SZRF.



[Northwestern River Shipping Company] with the participation of colleagues from the Department of Technical Devices for Navigation of the LIVT [Leningrad Institute of Water Transport].

It must be said that the engineering complexity of the project is quite exacting. The system should provide longer-range radar, short-distance light-technical and laser provision for the piloting, gathering primary information on the location of the ships and the state of the draw spans of the bridges, efficient communication and transmission of all these data on the display board of the central dispatcher—the unique “nerve center” for the traffic.

A meeting of the shipping company's scientific-technical council was recently held, at which the designs proposed by the young developers were reviewed. Taking part in the discussion were pilots, dispatchers, workers from the navigation inspectorate, the Volgotanker Shipping Company and representatives of other sectors—railroad workers and chief engineers of a number of Leningrad scientific-production and industrial associations.

No final decision has as yet been made, but the specialists agree that the design of the young Leningrad Astroch Scientific-Technical Center is the closest to ideal and the most promising. This collective not only put forward interesting ideas, but has also already taken the first practical steps to put them into practice—the project was coordinated with the administrations of the city's cable and telephone networks, with Leningrad television and with a number of other interested organizations.

To implement the next stage of work on creating the automated piloting system, the scientific-technical council of the SZRP set up a provisional creative collective, which is to study new proposals and wishes, determine the general contractor and more precisely define individual details of the technical assignment.

It is assumed that it will take two years to install all the necessary equipment, and experimental operation of the system will begin in 1991. Moreover, it will be introduced by a nontraditional method—in stages.

#### **Danube Shipping Company Profiled**

18110036a Kiev RADYANSKA UKRAYINA in  
Ukrainian 28 Dec 88 p 3

[Article, published under the heading “Report From Abroad,” by RADYANSKA UKRAYINA special correspondents L. Dayen and O. Chernetskyy: “Danube, Danube....”; to be continued in future issues; first five paragraphs are RADYANSKA UKRAYINA introduction]

[Excerpts] This legendary river set out upon its journey as if specifically for the purpose of staggering man's imagination. There are many unusual and unique sights on the long journey by this blue beauty from the high

Alps to the Black Sea, although its “route” is designated in precisely the opposite direction: from the waves of the Black Sea to the Alps. This is the only river in Europe where things are counted backwards: not in a downstream direction but upstream. The zero kilometer point lies at the mouth, and the final milepost, the 2,850 kilometer point, lies at the headwaters, on the picturesque slopes of the Black Forest. The drop in elevation from the riffling headwaters of this mighty waterway to its delta, where it branches into numerous arms, in the vicinity of our unique town of Vil'kovo, is greater than the height of the famed Ostankino TV transmission tower.

Old Man Danube, Sustenance-Giving Danube, Herculean Danube.... How many names have been given to this ancient river, the praises of which are so affectionately sung in folk tales and epics. And this riverine artery, Europe's second largest after the Volga, bears still another, very important sobriquet: Danube the Toiler. Strings of cargo vessels course along it day and night. This river of friendship also hospitably greets numerous tourists, who feast their eyes on the wondrous natural beauty and unique architecture of the eight countries which lie along the Danube—the USSR and Bulgaria, Romania and Yugoslavia, Hungary and Czechoslovakia, Austria and the FRG.

RADYANSKA UKRAYINA special correspondents traveled this waterway from Vil'kovo to the West German town of Passau in Bavaria and back to Izmail. They visited these countries aboard a number of passenger and cargo vessels of the Soviet Danube Shipping Company: the “Dnepr,” “Ukraina,” “Moldaviya,” “Ayvazovskiy,” “Dunay,” “Yanka Kupala,” “Kapitan Shirkov,” “Ulan-Bator,” and others. On dozens of unforgettable occasions they met and talked with captains and engine-room crewmen, helmsmen and deckhands, boatswain's storekeepers and waitresses. These newspaper reporters traveled not as tourists. On every vessel there is an official document, signed by the ship's master and with seal affixed—the “ship's roll.” This is the official roster of the ship's company. The words “dubleriy kapitana” [captain's standbys] followed the correspondents' names on the ship's roll.

When a journalist changes profession, he obtains the opportunity to study a given topic more deeply, “from the inside.” During this reporting assignment the correspondents were interested in the various problems of perestroika among the 25,000-man workforce of the Soviet Danube Shipping Company, future development of shipping on this great river, economic integration and cooperation between our republic and the countries along the Danube. There are quite a number of closely interwoven problems: economic and social, ideological and ethical-moral, educational and technical.

Articles by this newspaper's special correspondents will address these problems.

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[First section of article proper omitted]

### The Soviet Danube Shipping Company's Calling Card

There are more than 15 shipping companies in the USSR Ministry of the Maritime Fleet system. Three of these are in the Ukraine: the Black Sea Shipping Company, the Azov Shipping Company, and the Soviet Danube Shipping Company. The word "Soviet" in the name is there for a reason: shipping companies of other countries also operate on the Danube.

"Our Order of Friendship of Peoples Soviet Danube Shipping Company," we were told in Izmail by company chief O. F. Tekhov, "is a large, truly unique Soviet transport enterprise. Its uniqueness lies in the fact that it operates at a point of juncture between maritime and river shipping routes. Its area of operations encompasses both sea and river. Our vessels carry cargo consigned to 150 ports in dozens of countries. Our shipping company possesses a large, modern fleet: ore carriers and barge carriers, containerships and passenger motor vessels. We operate more than 1,000 vessels. RDP [Soviet Danube Shipping Company] facilities include the ports of Izmail, Reni, Ust-Dunaysk, and two ship repair yards—the Izmail and the Kiliya facilities. There you have the enterprise's business card. As you can see, a rather large operation," Tekhov smiled. And he added, in a modest tone: "And we try to do our job."

Aleksey Fedorovich did not elaborate.

And yet in the first, second, and third quarters of this year the shipping company took first place in the all-union competition among enterprises of this branch. The workforce and its party organization, with almost 4,000 members, are doing a great deal to speed up restructuring processes and to adopt economic methods of management and full economic accountability. "Collective contract," "lease contract," and "second model of economic accountability".... These terms, engendered by the radical reform, we heard spoken in various RDP management offices and on board the company's vessels—from shipping company deputy chiefs V. O. Vdovychenko and V. O. Seleznev, from A. F. Galkin, captain of the motor vessel "Dnepr," from I. K. Say, captain of the ore carrier "Yanka Kupala," and from others. The motor vessel "Osetiya" is the first to adopt a collective contract.

But at the same time the old patterns are continuing to operate. The rusty gears of the impeding mechanism are continuing to turn. We recall a conversation in the Yugoslavian town of Bezdan. The captain of the towboat "Ulan-Bator," party member V. F. Humenyuk, spoke with bitterness about a sore subject: "The bureaucracy has got us tied hand and foot. We are told that the minister has issued an order to cut down on the amount of reporting and accountability paperwork. But we are

not feeling any effects of this order. I don't know what should get my primary attention—navigation on this capricious river, or paperwork. Every month I am compelled to prepare reports covering 25-30 different items. I feel strongly that there is no need whatsoever for many of them. There are also many deficiencies pertaining to organization of labor. Have you heard the saying: 'When Vanka is home, Manka is away. When Manka is home, Vanka is away'? That is the way things are with us. When we have fuel, there are no loads. When we have loads, there is no fuel. In my opinion at the present time, perestroika is more in action afloat than ashore. Our job is not an easy one. Sometimes we are pushing a string of barges as large as 300 meters in length. It is not easy to maneuver such a 'cart' along narrow stretches of the river. And the barges are in terrible shape, many of them more than 20 years old. They leak out sand and gravel, and a barge will fill up with water before you can get it unto the sand in the shallows."

Yes, we got a look at these vessels which should have been scrapped long ago. In this year of the 19th All-Union Party Conference, the 19th Party Conference of the Soviet Danube Shipping Company was also held (the 20th Conference was also recently held). The following disturbing figures were cited at the 19th Conference: approximately 30 vessels representing a total of 2.3 million rubles have been taken out of service and are waiting to be scrapped. And 70 barges are standing idle in need of repairs. And yet at the same time they all remain on the enterprise's balance sheet. And yet idle time, like a lead weight, drags the economy down.

Running ahead, we should state that in this regard there have been some changes for the better. We learned about this in... Bucharest. We had come here to interview Yu. M. Kartsev, head of the Main Agency of the Soviet Danube Shipping Company in the Socialist Republic of Romania. But in addition to Yuriy Mikhaylovich, in Bucharest we also met P. S. Suvorov, the shipping company's chief engineer. Petr Semenovich had stopped in Bucharest in transit, so to speak—he was on his way home from Yugoslavia to Izmail. He was in an upbeat, cheerful mood.

"You have probably heard," he explained, "that our shipping company has limited capability to perform repairs on our fleet's vessels. Capabilities are far from meeting requirements. Integration with other countries is very important in this area. We have just signed a contract in Yugoslavia with the Kladovo Shipyards, whereby they will perform repairs on some of our river vessels."

"On what terms, Petr Semenovich?"

"On a so-called barter arrangement; that is, we shall pay them with barges retired from service, which are 25 to 30 years old. These barges will be turned into scrap."

"Is it a profitable arrangement?"

"I would say that it is mutually beneficial. Our Yugoslav partners need scrap metal, and we will be saving hard currency on repairs."

To this we should add just one additional fact. The average age of the vessels in the RDP fleet is 22 years.

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